

organized crime, and show the commitment of this administration to attacking these problems both here in the United States and overseas. I commend the President and call on our friends and allies around the world to join him in his efforts.

## H.R. 2517

SPEECH OF

HON. PAT ROBERTS

OF KANSAS

IN THE HOUSE OF REPRESENTATIVES

Friday, October 20, 1995

Mr. ROBERTS. Mr. Speaker, I am inserting the following section-by-section analysis of H.R. 2517 into the RECORD at this time.

The analysis follows:

## BRIEF EXPLANATION

Title I of the bill will reduce projected agriculture spending for farm commodity programs by \$13.4 billion over the period, fiscal year 1996 through 2002.

It consists of the final consideration by the Committee on Agriculture of the Chairman's reconciliation recommendations that are patterned in large part after H.R. 2195, the Freedom to Farm Act. The latter bill is designed to reform U.S. agricultural policy to perhaps the greatest extent since the 1930's. The title also conforms to the reconciliation instructions directed to the Committee on Agriculture in House Concurrent Resolution 67, the Current Resolution on the Budget—Fiscal Year 1996. The provisions in the title I recognize the realities of a post-GATT and NAFTA world trade environment within which U.S. farmers and producers must compete as we approach the 21st Century.

The balance of the budget savings within the jurisdiction of the Committee on Agriculture designed to achieve the budget reductions required by H. Con. Res. 67 were realigned with the House passage of H.R. 4, the Personal Responsibility Act, under Title V, Food Stamp Reform and Commodity Distribution, that is now scheduled for a House-Senate conference.

## PURPOSE AND NEED

## Subtitle A—Freedom to Farm

## Background

Since the last time Federal commodity programs were addressed in a farm bill (1990) or in reconciliation (1993), major changes in world trade policy, domestic budget policy, and commodity producer opinion require a reconsideration of Federal commodity policy.

The new majority in the 104th Congress is committed to balancing the budget. With the passage of the first Budget Resolution in June, the House Committee on Agriculture, despite having cut over \$50 billion in budget authority in previous years, was directed in H.Con.Res. 67, the FY 1996 Budget Resolution to achieve \$13.4 billion in savings from Federal farm programs over the next seven fiscal years. Admittedly, reducing Federal spending by that amount will impact farmers. However, some economists predict that a balanced budget will lead to a 1.5 percent reduction in interest rates. Agriculture as a major user of credit has over \$140 billion borrowed in terms of long term and short debt would benefit from such a result. If interest rates decline by 1.5 percent, a balanced budget could lead to an interest rate savings for U.S. agricultural producers exceeding \$15 billion over the next 7 years.

Following 19 hearings on Federal farm program policy by the Subcommittee on General Farm Commodities and the full Com-

mittee on Agriculture, the call from throughout the United States was clear: agricultural producers wanted more planting flexibility, more certainty with respect to Federal assistance, and less Federal regulatory burden.

The combination of these factors led to the following conclusions: (1) the U.S. production agriculture industry needed to become more market-oriented, both domestically and internationally; (2) the industry could not become more market-oriented with a continued Federal involvement that simply extended the current supply-management policies of the past; and (3) the required budget cuts would not provide adequate funding levels to allow the existing Federal programs to function properly in a post-GATT and NAFTA world-oriented market. Analyzing these conclusions is conjunction with a review of the current Federal commodity price support and production adjustment programs resulted in several observations about agricultural policy.

First, current Federal farm programs are based on the 60 year old New Deal principle of utilizing supply management in order to raise commodity prices and farm income. When the Federal farm programs were first created, the government relied on a system of quotas and allotments to control supply. However, over the last 20 years the primary justification for the programs has been the producers receive in return for setting aside (idling productive farmland) Federal assistance. That assistance was largely in the form of deficiency payments to compensate producers for market or loan levels that fell below a Congressionally mandated target price for their production. Additionally, when Federal commodity programs were set up, world markets were not a major factor in determining agricultural policy. This approach, while perhaps appropriate in the 1930's, ignores the realities of a post-GATT and NAFTA world.

Second, current programs no longer achieve their original goals and have collapsed as an effective way to deliver assistance to producers. Worldwide agricultural competition usurps foreign markets when the United States reduces production. With respect to wheat, for example, world demand, when combined with the United States' supply control approach of idling acreage (including acreage idled under the Conservation Reserve Program), has tightened U.S. supplies so much that there have been no set-asides for five years and there are not expected to be any in the foreseeable future, which eliminates the supply management policy justification for the present policy.

For the last ten years, congressional farm policy actions have been driven by budget reductions. The 1995 debate has re-affirmed the Federal budget as the driving force for agricultural program policy. Modifications made to the original farm programs since their inception have revolved around two main goals: further restricting supply in order to alleviate the overproduction which the programs encourage; and decreasing Federal expenditures by limiting the amount of production which is covered by Federal subsidies. These two factors have combined in a way which has made current Federal commodity programs less effective, both as a means of increasing farm income and as a means to manage production, with each successive modification. There have been several recent situations where producers, who received an advance deficiency payment based on U.S.D.A. estimated low prices, have had a poor harvest and were required to repay the advance because the nation-wide effect of the poor harvest was to drive up the market price of the commodity beyond the point at which current programs make a payment.

This has placed many producers in a difficult position. Even though prices were high, their income is down because they have no crop to market and the government assistance they had previously received must be paid back.

Government outlays under current programs are the highest when prices are lowest (and hence when harvests are the best). This has had the effect of encouraging production based on potential government benefits, not on market prices. This incentive, when combined with the government's authority to idle acreage (which is the only means that current programs contain for limiting budget outlays) results in a situation in which producers have an incentive to produce the maximum amount of commodities while the government restricts the acres that can be planted, thereby encouraging the over-use of fertilizers and pesticides in order to get the most production from the acres the government is allowing the farmer to plant that year. This environmentally-questionable incentive created by current programs has also resulted in Congress authorizing greater and greater bureaucratic controls on producers over the last ten years in order to minimize environmental damage by requiring conservation compliance plans, compliance with wetlands protection provisions, and compliance with many other land-use statutes. It would be hard to imagine a program which creates more inconsistent incentives than the existing commodity programs.

Added on top of the regulatory burdens which have resulted from the counter-productive environmental incentives of current programs are the additional regulatory burdens created by Congress over the past twenty years which attempt to target program benefits to small producers. These so-called payment limitation provisions have: (1) resulted in substantial paperwork requirements for producers whose operations do not actually approach the payment limit, (2) required a substantial amount of government administrative resources, which has inhibited the government-wide goal of downsizing; and (3) been largely ineffective as a means of ensuring that benefits are targeted to small producers because of the loopholes in the existing structure.

Third, preserving the current Federal farm program structure with the required \$13.4 billion in cuts will leave producers with an ineffective and counter productive agricultural policy. The resulting system would be an emasculated remnant of an out-of-date 1930's-era program which no longer serves the people it was originally intended to benefit. While further modifications of current Federal commodity programs may accomplish required budget savings, ten years of budget cuts has changed the fundamental nature of farm programs to the extent they have inhibited farm production and producer earning potential.

Retaining the present policy would be a mistake when other methods can achieve the goals of providing U.S. producers with increased planting flexibility and less regulatory burden while at the same time allowing for greater earnings from the marketplace and reducing the budgetary exposure to the Federal Government.

## Rationale

With these conclusions in mind, the recommended changes in Federal commodity policy which are accomplished in this title have a cumulative reconciliation savings of \$13.4 billion, as estimated by the Congressional Budget Office. The Federal farm policy for commodities, titled as the "Freedom to Farm" in Subtitle A, captures the CBO projected baseline for agriculture over the next seven years after incorporating the \$13.4

billion in savings required by the House Concurrent Resolution 67 instructions to the Committee on Agriculture.

Freedom to Farm ("FFA") replaces the commodity price support and production adjustment programs with a seven-year market transition contract payment for eligible owners and operators and a nonrecourse marketing assistance loan program for eligible producers. Contract participants will receive seven annual market transition payments in exchange for maintaining compliance with their respective conservation plans and applicable wetlands protection provisions. Producers utilizing the marketing assistance loan will get the benefit of a nonrecourse loan at harvest time so that they will not have to sell commodities at a time when market prices are historically low in order to maintain a positive cash flow. Additionally, contract payments are limited to \$50,000 per person, regardless of whether such payments are received directly or indirectly through other entities, and will be tracked according to Social Security numbers, hence eliminating once and for all the devices and schemes such as the "Mississippi Christmas Tree" to avoid payment limits. The Secretary is also directed to implement adequate safeguards to protect the interests of operators who are tenants and sharecroppers.

From a GATT perspective, the termination of the commodity price support programs will make U.S. commodities immediately more competitive on the world market by removing the distorting effect that current programs have maintained. This is significant because at the current time, world commodity supplies are relatively tight and estimates indicate that, at best, this situation will remain for quite some time.

With respect to domestic farm policy, FFA accomplishes several goals. First, it accomplishes a large amount of deregulation by freeing farmers up to farm for the market and not the government program. By removing government production controls on land use, FFA effectively eliminates the number one complaint of producers about the programs: bureaucratic red tape and government interference. Complaints about endless waits at the county office should end. Hassles over field sizes and whether the right crop was planted to the correct amount of acres should be a thing of the past. People concerned about the environment will be pleased that the government no longer forces the planting of surplus crops and monoculture agriculture. Producers who want to introduce a rotation on their farm for agronomic reasons should be free to do so without the restrictions in current programs.

Second, the Freedom to Farm Act provides U.S. producers with a guaranteed payment for the next seven years, because it establishes a contract between the Federal Government and the producer. When compared to the alternative of further modifying existing programs, it results in the optimum producer net income over the next seven years and protects the producer from further budget cuts should there be further budget reconciliation bills in the future. The guarantee of a fixed (albeit declining) payment for seven years will provide the predictability that producers have wanted and will provide certainty to lenders as a basis for extending credit to production agriculture. The current situation in which prices are above the target price as a result of poor crops (producers do not get a payment or are forced to repay advanced payments), and therefore have less income should be corrected under FFA. Without a crop to market, producers cannot benefit from the higher prices, and instead of getting help when they need it most, the cur-

rent system cuts off their deficiency payments and demands that they repay advance deficiency payments.

FFA insures that whatever government financial assistance is available will be delivered, regardless of the circumstances, because the producer signs a contract with the Federal Government for the next seven years. Just as producers will need to look to the market for planting and marketing signals, FFA will require producers to manage their finances to compensate for price swings. It may be true that when prices are high, producers will receive a full market transition payment under FFA but it is equally true that if prices decline, farmers will receive no more than the fixed market transition payment. That means the individual producer must *manage* all income, both market and government, to account for weather and price fluctuations.

Third, FFA encourages market orientation. Producers can plant or idle *all* their acres at their discretion, with a significant reduction in the restrictions on what can be planted. Producers will have to make commodity planting decisions in response to commodity markets instead of decisions based on deficiency payment rates and crop acreage bases. Decoupling Federal payments from production (a process which began in 1985 when payment yields were frozen) would end any pressure from the government in choosing crops to plant. Under FFA, all production incentives should come from the marketplace and not government programs. Additionally, as long as producers maintain compliance with their applicable conservation plans, they are free to choose to plant no crop at all, which will benefit soil and water quality in marginal areas, as well as benefitting wildlife.

Fourth, FFA recognizes that the benefits from current programs have, to some extent, been incorporated into the value of agricultural land. By abolishing the link between production and benefits, but doing so in a manner which provides a seven-year transition period, the economic distortions caused by existing programs can be removed in a manner that causes the least amount of disruption and harm to rural America. For that reason the FFA contract payment has been aptly named as a market transition payment.

#### *Good policy for the future*

FFA is also good policy for the future of production agriculture in the United States. The most severe critics of current farm programs, including the New York Times, the Washington Post, the Economist, and a host of regional newspapers, have hailed FFA as the most significant reform in agricultural policy since the New Deal in the 1930's. Congressional critics that have urged reform of the farm programs have also indicated that FFA embodies the type of reform necessary to transition agriculture into a market-oriented industry. Nearly every agricultural economist who has commented on FFA has supported its structure and its probable effect on producers and the agricultural sector.

The reforms accomplished by FFA will help transition U.S. agricultural producers into a new era of a market-oriented Federal farm policy while simultaneously providing fixed, declining payments over seven years in order to minimize the economic distortions resulting from the change away from the New Deal Era Federal farm programs.

#### *Subtitle B—Dairy*

##### *Summary*

Subtitle B replaces the dairy price support program on January 1, 1996, with (1) a market transition program which provides seven

market transition payments to milk producers between April 15, 1996 and October 15, 2001, and (2) a recourse loan program for processors. The Federal milk marketing order program is replaced on July 1, 1996, by a program which verifies receipts of, prices paid for, and uses of milk, and which further, upon request, audits marketing agreements and other private contracts for the receipt and payment of milk between producers and handlers. The Dairy Export Incentive Program (DEIP) is reauthorized through September 30, 2002, and fully funded to the limits permitted by the Uruguay Round of the GATT. The Fluid Milk Promotion Program of 1990 is reauthorized and the producer assessment for promotion under the Dairy Production Stabilization Act of 1983 is extended to imported products. The combined impact of these changes saves \$511 million, or approximately 23.5%, of spending on Federal dairy programs projected by CBO over the next seven fiscal years.

#### *Background*

Since the last time Federal dairy programs were addressed in a farm bill (1990) or in reconciliation (1993), major changes in world trade policy, domestic budget policy, and dairy producer opinion require us to reconsider Federal dairy policy.

Every Federal dairy program was created subsequent to Section 22 and premised upon the ability of Section 22 to stop foreign dairy products at our border. As of July 1, 1995, Section 22 was limited in its applicability by the implementation legislation for the Uruguay Round of the GATT.

With the passage of the First Budget Resolution in June, the House Agriculture Committee was required to achieve \$13.4 billion in savings on Federal farm programs over the next seven fiscal years. As a commodity, dairy's fair share of that amount was slightly more than \$500 million, or about \$73 million annually.

Following ten hearings on dairy issues by the Subcommittee on Livestock, Dairy and Poultry, including field hearings in California, Florida, Minnesota, New York, and Wisconsin, the mandate from dairy farmers to end budget reconciliation assessments immediately became overwhelming. The elimination of assessments would decrease funding available for Federal dairy programs by approximately \$250 million annually.

The combination of these events led to the following conclusions: (1) the U.S. dairy industry needed to become more market-oriented, domestically and internationally; (2) the industry could not become more market-oriented without a level field at home; (3) the industry needed tools to become, and remain, competitive in the world market; and (4) there was inadequate funding to retain and maintain existing Federal dairy programs.

A review of Federal dairy programs (i.e., dairy price supports, Federal milk marketing orders, and the Dairy Export Incentive Program (DEIP)) produced the following conclusions.

First, since the support price was decreased to \$10.10/cwt in the 1990 Farm Bill, the dairy price support program has been largely inactive. For example, in the last 12 months, the Commodity Credit Corporation (CCC) has not purchased any cheese and only purchased 26 million pounds of butter and 27 million pounds of nonfat dry milk. By contrast, a decade ago the CCC purchased 293 million pounds of butter, 591 million pounds of cheese, and 827 million pounds of nonfat dry milk during the same 12 month period. Currently, we have no butter, no cheese, and only 30 million pounds of nonfat dry milk in government storage.

Secondly, existing Federal milk marketing orders act as an impediment to a level playing field domestically. The U.S. dairy industry cannot hope to be competitive in the world market if our domestic marketing system produces competitive advantages and disadvantages at home unrelated to market indicators and other economic conditions. The Congressional Budget Office projects that Class I differentials, fixed by statute in 1985, will add an average of \$134 million annually to the cost of the dairy price support program in the next five fiscal years by creating artificial incentives to produce milk in regions with sufficient Class I supplies of milk. Studies of Federal milk marketing orders by the General Accounting Office in 1988 and 1995 have produced similar conclusions.

Thirdly, the inactivity of the dairy price support program and the low levels of government-stored dairy products are directly related to the success of the DEIP program. Dairy economists across the nation uniformly agree that the DEIP program has added between \$.50/cwt to \$1.00/cwt to producer prices in each of the last five years.

#### *Rationale*

With these conclusions in mind, the following changes in Federal dairy policy are accomplished in this legislation which have a cumulative reconciliation savings of \$511 million estimated by the Congressional Budget Office.

Chapter 1 of subtitle B replaces the dairy price support program on January 1, 1996 with a market transition program for milk producers and a recourse loan program for dairy processors. Producers will receive seven market transition payments in exchange for the termination of the price support program. Since any negative impact resulting from that termination will be greatest in 1996, producers will receive two of the seven market transition payments during calendar year 1996.

From a GATT perspective, the termination of the price support program will make U.S. cheese, butter and nonfat dry milk immediately competitive on the world market. This is significant because, by the end of the decade, 17 percent of the world market for nonfat dry milk, 23 percent of the world market for cheese, and 31 percent of the world market for butter will have opened up due to reductions in subsidized exports under the Uruguay Round.

The recourse loan program will permit processors of cheddar cheese, butter and nonfat dry milk to place their product under a recourse loan with the CCC at 90 percent of the average market value for that product during the previous three months. Loans will be at CCC interest rates and will come due at the end of the fiscal year (September 30), but can be extended into the upcoming fiscal year.

Chapter 2 of subtitle B further enables the United States to become, and remain, a player in the world dairy market of the 21st Century. The DEIP program is reauthorized through September 30, 2002 and fully funded to the limits permitted under the Uruguay Round in each fiscal year. The Secretary of Agriculture is authorized to assist the U.S. dairy industry in establishing an export trading company, or other entity, to provide international market development and export services.

Chapter 3 of subtitle B further assists the industry in becoming more market-oriented by reauthorizing the Fluid Milk Promotion Act of 1990, extending the producer promotion assessment under the Dairy Production Stabilization Act of 1983 to imported dairy products, and by requiring that at least 10 percent of the budget of the National Dairy Promotion and Research Board be al-

located to international market development annually.

Indeed, the purpose of Federal dairy promotion programs authorized under the Fluid Milk Promotion Act and the Dairy Product Stabilization Act is to maintain and expand markets for fluid milk and the products of milk, not to maintain or expand the share of those markets which any particular processor or association of producers currently has. The programs created and funded by these Acts are not intended to compete with or replace individual advertising and promotion efforts, but rather to meet the governmental goal and objective of maintaining and expanding the market for fluid milk and the products of milk through continuous and coordinated programs of promotion, research, and consumer information.

Chapter 4 of subtitle B replaces current Federal milk marketing orders on July 1, 1996, with a program which verifies receipts of, prices paid for, and uses of milk, and which further provides an auditing mechanism for marketing agreements and other private contracts for the receipt and payment of milk between producers and handlers. The Secretary will report statistics to the industry including information on payments to producers on a component basis, including payments for milkfat, protein and other solids.

The elimination of the pricing and pooling functions of Federal milk marketing orders will assure a level playing field domestically among producers and insure that industry responds to market signals rather than decade-old fixed differentials which provide artificial incentives to produce milk.

Chapter 5 of subtitle B extends miscellaneous expiring provisions in law related to these Federal dairy programs.

#### *Subtitle C—Other Commodities*

The Committee commenced hearings and received testimony from over 100 witnesses in the areas of the United States where peanuts and sugar beets, sugar cane, and corn are grown, as well as in Washington, D.C., to discuss reform of the peanut and sugar programs. The Committee outlined reform criteria with the goal of revising the current peanut and sugar programs to make them more market-oriented and operate at no cost to the Federal Government, while still providing a safety net for producers.

These programs have been increasingly criticized by consumer groups, food processors and manufacturers, environmental groups, and others for a variety of reasons, including artificially increasing prices, encouraging the environmentally-damaging practice of monoculture cropping, and allowing a relatively small number of producers to reap the program benefits at the expense of taxpayers and consumers.

In this context, the Committee's recommendations with respect to the Federal programs for peanuts and sugar are reform-oriented and are made with the intention of providing the framework for a more market-oriented approach to production, with less government involvement.

#### *Peanuts*

According to the United States Department of Agriculture (USDA), net peanut government program expenditures for fiscal year 1995 are estimated to be \$85.6 million. USDA projects an annual cost of \$76 million per year for fiscal years 1996-2000 if current program provisions were retained. The proposed title I would eliminate the administrative costs of the program through the elimination of the national poundage quota and undermarketing provisions which allow additional peanuts to receive the quota price support rate. This will allow the Secretary to set the national poundage quota at a level

that satisfies the estimated domestic consumption and prevent additional peanuts from entering the quota pool at the higher loan rate.

With respect to price support, title I would freeze the price support loan rate for quota peanuts at \$610 per ton for the 1996 through 2002 crops. This is a reduction from the current loan rate of \$678 per ton, which is approximately commensurate to a price support level based on current cost of production. Current law provides that the price support level may only increase based on cost of production, up to 5% over the support rate for the preceding year. If the previous years' quota price support rates were allowed to increase or decrease 5% per year, today's price support level would be approximately \$608.64.

Among other changes, title I, as proposed, would also instruct the Secretary to decrease the quota support rate by 15 percent to any producer who refuses an offer from a handler to purchase quota peanuts at the quota support rate, in order to provide an incentive to producers to sell to the market rather than taking out a price support loan.

Title I would prioritize the method of covering losses in area quota pools. Losses would first be covered through individual gains on sales of additional peanuts, then by pool gains on sales of additional peanuts, before proceeding to the cross compliance provisions. The Secretary of Agriculture would also be given the authority to increase the marketing assessment on growers in a pool to cover any further losses, with a provision directing any unused assessment funds to be returned to the Treasury.

With respect to the sale, lease, and transfer of quota, several changes are recommended. Currently, quota can only be sold or leased to another owner or operator in the fall or after the normal planting season within the same country. The Committee recommends full sale, lease or transfer of quota to any county within a State without any restrictions. The Committee also proposes a review of the feasibility of quota transfer of across state lines under the purview of the Commission on 21st Century Production Agriculture.

In addition, the Committee's recommendation would tighten the eligibility of those who own quota by mandating that any required reductions in the national poundage quota in a State shall first be reduced with respect to public entities, non-resident quota holders who are not producers, and resident quota holders who are not producers before reducing the quota allocation of a State's producers.

#### *Sugar*

The Committee proposal increases revenue to the Treasury through an increased marketing assessment from 1.1% to 1.5% of the loan rate for raw cane sugar and from 1.17% to 1.6083% of the loan rate for beet sugar. Provisions in current law mandating that the program operate at no net cost to the Treasury would be maintained.

Sugar beet and sugar cane loan rates are frozen at current 1995 levels. However, loan rates are required to be reduced if the Secretary determines that negotiated reductions in export subsidies and domestic subsidies provided for sugar of the European Union and other major sugar growing countries in the aggregate exceed the commitments made as part of the Uruguay Round Agreement.

With respect to marketing allotments, the Committee's recommendation would allow full and unrestrained production of sugar in the United States through elimination of marketing allotments.

The Committee also proposes a consistent increase of imports through the establishment of a loan modification threshold which is initially triggered at 1,257,000 short tons raw value in fiscal years 1996 and 1997, and at 103% of the loan modification threshold for the previous fiscal year level for fiscal years 1998 through 2002. Under this provision, recourse loans to processors are made available up to the threshold level and would be converted into nonrecourse loans if imports rise above the threshold level.

#### Subtitle D—Miscellaneous Program Changes

The Federal Crop Insurance Reform Act of 1994 (Reform Act), contained in Title I of P.L. 103-354, made significant changes in the multi-peril crop insurance (MPCI) program as well as ending, for all practical purposes, ad hoc Federal assistance to farmers for crop failures. Two controversial and complex provisions of the new law have caused consternation and irritation among agricultural producers, and that, in turn, has made MPCI a less attractive product for many farmers.

A principal provision of the Reform Act required any agricultural producer who is a farm commodity program or Conservation Reserve Program participant or who is receiving a loan or loan guarantee through the U.S. Department of Agriculture (USDA) to purchase a MPCI policy to insure against at least a catastrophic crop loss (CAT), i.e., for a crop loss of 50 percent loss in yield, on and individual or area yield basis. To obtain CAT coverage, producers pay an administrative fee for each crop produced in a county. Because of USDA's implementation of the Reform Act, each landlord who receives a program payment (shared tenancy) is required to pay the \$50 fee. This link between farm program participation and crop insurance caused a great deal of confusion and irritation among producers because of the inequities in USDA implementation. For example, an owner-operator growing only wheat on a section of land in a single county could purchase CAT coverage for a single \$50 fee, while multiple owners with a tenant farming in more than one county were required to pay multiple fees. One particularly egregious case that came to light involved nine different landlords and their tenants who farmed three different crops in three counties. Each of the owners was required to pay three fees for each crop in each of the three counties, resulting a substantial amount of dollars in fees for insurance on a minimal number of acres.

A second provision that caused undue confusion involved the delivery system implemented by the Consolidated Farm Service Agency (CFSA) within USDA. Because each agricultural producer could be required to purchase at least the CAT insurance policy, Congress allowed CFSA local offices to sell CAT coverage in those areas of the country where private insurance agents were not available or not readily available. As implemented, however, CFSA became an instant competitor with insurance agents around the country. Because the new MPCI program was late in clearing Congress and even later in getting into the field, local CFSA personnel obviously were confused during the initial start-up phase of the new program. This confusion was spread throughout farm country during this past spring and harmed a program that already was disliked and unused by a majority of producers in almost every part of the country.

It also has come to the Committee's attention that the assistant administrator for risk management who is the FCIC manager and responsible for its day-to-day operations also has become totally absorbed by CFSA administrators to an extent that risk management and crop insurance are being run as

if they were just another farm program, in other words, not in an actuarially-sound manner. Under any policy scenario, Federal farm price and income support programs are in transition, making it vitally important that our agricultural producers have sound risk management programs they can use for price and yield protection and marketing assistance without undue USDA intervention. Creating an independent agency and then subsuming the congressional policy objective of providing new risk management techniques, including MPCI offered generally through a private delivery system, within the scope of traditional, 50-year-old New Deal policies does not make sense. Congress clearly set new policy and structural changes at the new CFSA, and thus far, CFSA has ignored many of those policy objectives.

Finally, in that regard, the FCIC board has been inactively engaged in its responsibility to manage FCIC operations in the current Administration, ceding its authority to CFSA personnel. Because of that, the MPCI program has been neglected and is a less viable risk management tool than Congress intended but for the inattention to its direction by CFSA.

Amendments included in the agricultural title of the omnibus budget reconciliation bill seek to change both the mandatory link of MPCI and USDA farm and credit programs so that producers not wanting to purchase CAT coverage could do so by waiving the right to any possible crop disaster assistance for the crop year in which CAT coverage had been offered by the FCIC but not purchased by the producer. This saves \$180 million over the seven-year period.

Additional amendments provide for a totally private delivery system by the crop insurance industry. Under the Committee amendments, FCIC is required to submit its delivery plan that will provide at least CAT insurance availability to each producer in the country (who wants to purchase it) to the agriculture committees of Congress by May 1, 1996. The clear intent is that MPCI, both CAT coverage and additional, buy-up coverage, will be offered, sold and serviced by the private crop insurance industry that has invested a great deal of time and money toward providing crop insurance services to agricultural producers.

Other amendments included in the budgetary provisions establish a fully independent Office of Risk Management with an administrator who will manage the FCIC as well as assume other risk management responsibilities enumerated by the amendments. The Secretary of Agriculture is directed to (shall) appoint the Administrator of the Office of Risk Management.

Further amendments will recreate a more effective FCIC board of directors by providing a more diverse composition of the board's directors as well as providing for terms of appointment for specific time periods. Impairment of the board to act under the law also will impair the delegation of authority to the FCIC manager. This should ensure the board will remain an active participant in FCIC's policy and operational direction.

By any measure, farmers, agricultural economists, wildlife advocates and environmentalists alike believe the Conservation Reserve Program (CRP), established by the 1985 Food Security Act ('85 FSA), has been a success. Landowners have enrolled about eight percent of U.S. cropland in 12 separate signups from 1986 to June 1992. At the end of the 12th signup, about 375,000 contracts had been put into effect, although around two-thirds of the acreage currently subject to contracts will expire at the beginning of fiscal year 1998.

Billions of tons of topsoil have been saved over the life of the program. Large sections of prairie have been returned to grass, providing critical habitat for migratory waterfowl as well as restorative nesting cover for game birds. Net savings in farm program expenditures also have been realized throughout the life of the CRP.

As mentioned previously, however, 1992 was the last year of new CRP enrollments even though the 1990 amendments to the '85 FSA provided for a 38 million-acre program. The appropriations committees of the Congress in those years refused to provide for any additional acreage to be enrolled in the CRP.

Current law also does not give a landowner with a CRP contract any flexibility to opt out of his contract even though the rental payment is intended to pay for conservation in the Federal fiscal year for which the payment is made. Should commodity prices rise enough to entice a landowner using acceptable conservation systems with an approved compliance plan to get out of the program to meet market demands, he may not do so unless the Secretary is satisfied there is sufficient grain needs worldwide to require use of CRP lands.

The amendments set out in Section 1402 of Subtitle D are intended to resolve these issues. As of the date of enactment, the Committee will ratify, by an amendment in title I, four years of appropriations committee policy by capping the CRP at the current acreage of 36.4 million acres during the seven-year period beginning with the date of enactment.

The Committee's amendments also would allow for landowners to opt out of their contracts by giving the Secretary 60 days notice of the contract termination. Should the contract be terminated prior the end of the fiscal year, September 30 of any calendar, the Secretary shall prorate the payment. The highly-erodible land must be farmed under a conservation system and compliance plan that is not more onerous than systems and plans for similar land in the area.

Landowners who have terminated a contract may resubmit a subsequent bid to enroll the high-erodible land under a new CRP contract. Extensions of existing contracts or any new contracts of reenrolled lands will be at 75 percent of the previous rental rate for the land. These provisions provide savings between 1996-2002 of \$570 million.

#### Subtitle E—Commission on 21st Century Production Agriculture

The changes in Federal farm policy made in the preceding subtitles are a dramatic departure from current farm commodity programs. Many of those involved in production agriculture from the farmer to the economist, to rural lenders, and especially to those with an economic interest in current programs, are concerned that a change of the magnitude described in the preceding subtitles coupled with less Federal subsidy dollars will adversely affect not only the U.S. agricultural industry, but also rural America. While the dramatic changes proposed for the Federal Government's involvement in agriculture as prescribed by the Freedom to Farm Act, are in fact a recognition of the changing rural and urban landscape of America, an examination of the changes wrought by these policy changes and what farm policies are needed for the 21st Century farm sector is in order.

When the present Federal programs for agriculture were adopted, the nation was in the darkest depths of the Great Depression of the 1930's. Not everyone believed the Federal Government should get involved in agriculture. Indeed, the original Agricultural

Adjustment Act of 1933 was declared unconstitutional by the Supreme Court. But a consensus was reached and the United States Government embarked upon a course of substantial involvement in agriculture. The present programs were claimed to be created out of political and economic necessity, because the nation was largely rural and the majority of the population lived on farms or rural areas.

In the intervening 60 years, the United States has been transformed into a largely urban society with less than 2 million citizens on farms. There is evidence that Federal farm programs may have eased the transition from a rural society to an urban society. While the United States is now largely an urban population, nearly 20 percent of the Gross National Product can be attributed to agriculture if the entire sector is considered, i.e., from the farm to the manufacturing, distribution, and input infrastructure involved in modern agriculture's miracle of productivity.

The United States is blessed with a very valuable asset: fertile land, with adequate moisture, growing season, and dedicated users of such land that make it the envy of the world. The challenge for the United States as we enter the 21st Century is how do we wisely use our very valuable natural resource: agriculture. The present system of agricultural price supports and supply control programs has come under increasing attack by economists, environmentalists, and farmers as being inadequate for modern agriculture. The Freedom to Farm Act is meant to be a transition policy for U.S. agriculture. But a transition to what?

Over the 7 years of the transition contract, the Congress hopes a national debate can take place as to what should be the Federal involvement in production agriculture in the 21st Century. Should it be a system of direct price supports found in the present system? Should it be some type of income support mechanism that provides some means of income or revenue protection given the nature of production agriculture, which is subject to the vagaries of weather, pestilence, and geopolitical market disruptions. Should the Federal involvement in production agriculture be limited to only foreign market development and research that enhances U.S. agriculture's relative competitive position? Or can many of the goals necessary to have a healthy food and fiber sector be accomplished through Federal tax policy?

To stimulate substantial debate and provide answers to these questions, Subtitle E establishes a Commission on 21st Century Production Agriculture, which is designed to give future Congresses and Presidents and others information and feedback to gauge the effectiveness of the changes made by this legislation, and also to recommend further appropriate Federal policy and involvement in production agriculture. The Commission is to conduct a "look-back" (how successful is Freedom to Farm) and a "look-to-the-future" that recommends new or different policies for 21st Century agriculture.

This Commission, comprised of 11 members to be appointed by the President and the Chairmen of the House and Senate Agriculture Committees in consultation with their Ranking Minority Members, will conduct a comprehensive review of changes in the condition of the agricultural sector, taking into account land values, regulatory and taxation burdens, export markets, and progress under international trade agreements. The Commission will also make an assessment of changes in production agriculture, identify the appropriate future relationship between the Federal Government and production agriculture after 2002, and assess the future personnel and administrative

needs of USDA. Not later than June 1, 1998, the Commission shall report its interim findings with respect to its comprehensive review of the condition of the agricultural sector. Not later than January 1, 2001, the Commission shall make a final report concerning its assessments and determinations regarding the future role of the Federal Government in farm policy.

#### SECTION-BY-SECTION ANALYSIS

##### SUBTITLE A—FREEDOM TO FARM

##### Section 1101.—Short title

This Subtitle may be cited as the "The Freedom to Farm Act of 1995".

##### Section 1102.—Seven year contracts to improve farming certainty and flexibility

###### Subsection (a). Contracts authorized

Subsection (a) amends obsolete section 102 of the Agricultural Act of 1949 to provide authority for the Secretary to enter into seven-year market transition contracts.

Amended section 102(a), in paragraph (1), authorizes the Secretary to enter into 7-year market transition contracts between 1996 and 2002 with eligible owners and operators on a farm containing eligible farmland. In exchange for annual payments under the contract, the owner or operator must agree to comply with the applicable conservation plan for the farm and the wetland protection requirements of title XII of the Food Security Act of 1985.

Amended section 102(a), in paragraph (2), describes eligible owners and operators, that include:

(A) an operator who assumes all risk of producing a crop;

(B) an operator who shares in the risk of producing a crop;

(C) an operator with a share-rent lease regardless of the length of such lease if the owner also enters into the contract;

(D) an operator with a cash rent lease that expires on or after September 30, 2002, in which case the consent of the owner is not required;

(E) an operator with a cash rent lease that expires before September 30, 2002, and the owner consents to the contract; and

(F) an operator with a cash rent lease, but only if the operator declines to enter into a contract, in which case payments under the contract will not begin until the fiscal year following the year in which the lease expires.

Amended section 102(a), in paragraph (3), instructs the Secretary to provide adequate safeguards to protect the interests of operators who are tenants and sharecroppers.

Amended section 102(b), in paragraph (1), provides that the deadline for entering into a market transition contract is April 15, 1996, except that owners and operators on farms which contain acreage enrolled in the Conservation Reserve Program ("CRP") may enter into a market transition contract upon the expiration of the CRP contract.

Amended section 102(b), in paragraph (2), provides that the contracts shall begin with the 1996 crop year and extend through the 2002 crop year.

Amended section 102(b), in paragraph (3), provides that, at the time a contract is signed, the Secretary shall estimate the minimum payment that will be made under the contract, and the owner or operator may terminate the contract without penalty if the first actual payment is less than 95 percent of the estimate.

Amended section 102(b), in paragraph (4), instructs the Secretary to issue a report to the House and Senate Agriculture Committees within 90 days after the date of enactment of this section setting forth a plan as to the number of, and acreage in, contracts to be signed, the anticipated amount of payments, and the manner in which the contracts will be signed.

Amended section 102(c) describes eligible farmland, which is land that contains a crop acreage base, at least a portion of which was enrolled in the acreage reduction programs authorized for a crop of rice, upland cotton, feed grains, or wheat and which has served as the basis for deficiency payments in at least one of the 1991 through 1995 crop years, including zero-certified considered planted acreage under section 503(c)(7) of the Agricultural Act of 1949. With respect to contracts for acreage enrolled in the CRP, such acreage must have crop acreage base attributable to it.

Amended section 102(d) establishes the payment dates under the market transition contracts as September 30 of each of the fiscal years 1996 through 2002, and provides that an owner or operator may opt to receive half of each annual payment not later than March 15 of each year. For the 1996 fiscal year, an owner or operator may elect to receive half of the payment within 90 days of signing a market transition contract.

Amended section 102(e), in paragraph (1), establishes an overall spending limit for the fiscal years 1996 through 2002 at \$38,733,000,000.

Amended section 102(e), in paragraph (2), establishes yearly spending limits of:

(A) \$6,014,000,000 for FY 1996;

(B) \$5,829,000,000 for FY 1997;

(C) \$6,244,000,000 for FY 1998;

(D) \$6,047,000,000 for FY 1999;

(E) \$5,573,000,000 for FY 2000;

(F) \$4,574,000,000 for FY 2001; and

(G) \$4,453,000,000 for FY 2002.

Amended section 102(e), in paragraph (3), directs the Secretary to adjust the amounts specified in paragraphs (1) and (2), if necessary, by:

(A) subtracting payments required under sections 101B, 103B, 105B, and 107B for the 1994 and 1995 crop years;

(B) adding producer repayments of deficiency payments received during that fiscal year under section 114(a)(2);

(C) adding market transition contract payments withheld at the request of producers, during the preceding fiscal year as an offset against repayments of deficiency payments otherwise required under section 114(a)(2); and

(D) adding market transition contract payments which are refunded during the preceding fiscal year under amended section 102(h).

Amended section 102(f) establishes the basis for determining the allocation of available funds under a market transition contract for crop acreage base for each contract commodity;

Amended section 102(f)(2), in subparagraph (A), directs the Secretary to calculate the total expenditures for all contract commodities for the 1991 through 1995 crops under sections 101B, 103B, 105B, and 107B, including expenditures in the form of deficiency payments, loan deficiency payments, marketing loan gains, and marketing certificates.

Amended section 102(f)(2), in subparagraph (B), authorizes the Secretary to use estimates, as contained in the President's budget for fiscal year 1997 submitted to Congress under section 1105 of title 31, United States Code, in the absence of information regarding actual 1995 crop expenditures for a contract commodity.

Amended section 102(f), in paragraph (3), provides that the amount available for a fiscal year for payments with respect to crop acreage base of a contract commodity shall be equal to the product of:

(A) the ratio of the amount calculated under section 102(f)(2) for that contract commodity to the total amount calculated for all contract commodities under paragraph (2); and

(B) the amount specified in section 102(e)(2) for that fiscal year (including any adjustments under section 102(e)(3)).

Amended section 102(g), in paragraph (1), establishes the basis for determining the amount of production attributable to a contract commodity covered by a contract, which is equal to the product of:

(A) the crop acreage base of that contract commodity attributable to the eligible farmland subject to the contract; and

(B) the farm program payment yield in effect for the 1995 crop of that contract commodity for the farm containing that eligible farmland.

Amended section 102(g), in paragraph (2), provides that for each of the fiscal years 1996 through 2002, the total amount of production of each contract commodity covered by all market transition contracts shall be equal to the sum of the amounts calculated under paragraph (1) for each market transition contract in effect during that fiscal year.

Amended section 102(g), in paragraph (3), provides that the payment rate for a contract commodity for a fiscal year shall be equal to—

(A) the amount made available under section 102(f)(3) for that commodity for that fiscal year; divided by

(B) the amount determined under paragraph (2) for that fiscal year.

Amended section 102(g), in paragraph (4), provides that, for each of the fiscal years 1996 through 2002, the amount to be paid under a particular market transition contract with respect to a contract commodity shall be equal to the product of—

(A) the amount of production determined under section 102(g)(1) for that contract for that contract commodity; and

(B) the payment rate in effect under paragraph (3) for that fiscal year for that contract commodity.

Amended section 102(g), in paragraph (5), provides that the provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act relating to assignment of payments shall apply to market transition contract payments, and requires that the owner, operator, or assignee to notify the Secretary of such assignment.

Amended section 102(g), in paragraph (6), directs the Secretary to allow for sharing of payments made under a market transition contract among the owners and operators subject to a contract on a fair and equitable basis.

Amended section 102(h) establishes an annual payment limitation under a market transition contract at \$50,000 per person during any fiscal year and instructs the Secretary to issue regulations defining the term 'person' which shall conform, to the extent practicable, to the regulations defining such term issued under section 1001 of the Food Security Act of 1985. The Secretary is further instructed to ensure that contract payments issued to corporations and other persons described in section 1001(5)(B)(i)(II) of such Act comply with the attribution requirements specified in paragraph (5)(C) of such section.

Amended section 102(i), in paragraph (1), authorizes the Secretary to terminate a market transition contract if an owner or operator violates the farm's conservation compliance plan or wetland protection requirements. Upon termination, the owner or operator forfeits future payments and must refund payments received during the period of the violation, with interest as determined by the Secretary.

Amended section 102(i), in paragraph (2), provides that, if the Secretary determines that the nature of the violation does not warrant termination of the contract as provided in paragraph (1), the Secretary may—

(A) require a partial refund with interest thereon; or

(B) adjust future contract payments.

Amended section 102(i), in paragraph (3), prohibits the Secretary from requiring repayments from an owner or operator if farmland which is subject to the contract is foreclosed upon and the Secretary determines that forgiving such repayments is appropriate in order to provide fair and equitable treatment. This authority does not void the responsibilities of such owner or operator if the owner or operator continues or resumes control or operation of the property subject to the contract, and in effect reinstate the contract.

Amended section 102(i), in paragraph (4), provides that a determination by the Secretary under this subsection shall be considered as an adverse decision for purposes of review by the National Appeals Division under subtitle H of title II of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994.

Amended section 102(j), in paragraph (1), provides for transfers of land subject to a market transition contract. Upon a transfer, a contract is automatically terminated unless the transferee agrees to assume all obligations under the contract. A transferee may request modifications to a contract before assuming it, if the modifications are consistent with the objectives of this section as determined by the Secretary.

Amended section 102(j), in paragraph (2), authorizes the Secretary to issue regulations regarding contract payments in instances in which an owner or operator dies, becomes incompetent, or is otherwise unable to receive a contract payment.

Amended section 102(k), in paragraph (1), establishes planting flexibility provisions on land subject to a market transition contract. Crops which can be grown include—

(A) rice, upland cotton, feed grains, and wheat;

(B) any oilseed;

(C) any industrial or experimental crop designated by the Secretary;

(D) mung beans, lentils, and dry peas; and

(E) any other crop, except any fruit or vegetable crop (including potatoes and dry edible beans) not covered by subparagraph (D), unless such fruit or vegetable crop is designated by the Secretary as—

(i) an industrial or experimental crop; or

(ii) a crop for which no substantial domestic production or market exists.

Amended section 102(k), in paragraph (2), authorizes the Secretary to prohibit the planting of any crop specified in paragraph (1) on acreage on the farm subject to the market transition contract.

Amended section 102(k), in paragraph (3), directs the Secretary to make a determination each crop year of the commodities that may not be planted pursuant to this subsection and make available a list of such commodities.

Amended section 102(k), in paragraph (4), provides that, in lieu of planting crops, owners and operators may devote all or part of the eligible farmland subject to a contract to conserving uses in accordance with regulations issued by the Secretary.

Amended section 102(k), in paragraph (5), allows for haying and grazing of eligible farmland subject to a contract, except that haying and grazing is not permitted during the 5-month period designated by the State Committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act between April 1 and October 31st of each year. The Secretary may permit unlimited haying and grazing on eligible farmland in cases of a natural disaster, and may not exclude irrigated or irrigable acreage not planted in alfalfa when exercising such natural disaster authority.

Amended section 102(l) provides that market transition contracts are legally binding.

Amended section 102(m) directs the Secretary to carry out this section through the Commodity Credit Corporation, except that no funds of the Corporation shall be used for any salary or expense of any officer or employee of the Department of Agriculture in connection with the administration of market transition payments or loans under this subtitle.

Amended section 102(n) authorizes the Secretary to issue such regulations as are necessary to implement this section.

#### *Subsection (b). Conforming amendments*

Subsection (b) amends sections 107B(c)(1)(E), 105B(c)(1)(E), 103B, 101B(c), and 205(c) of the Agricultural Act of 1949 so that such sections are applicable only through the 1995 crop year (with respect to certain payments etc.), and section 509 of such Act only until January 1, 1996.

#### *Section 1103.—Availability of nonrecourse marketing assistance loans for wheat, feed grains, cotton, rice, and oilseeds*

##### *Subsection (a). Nonrecourse loans available*

Section 1103(a) amends the Agricultural Act of 1949 by inserting after section 102 a new section 102A which establishes a nonrecourse marketing assistance loan for certain crops.

New section 102A(a), in paragraph (1), directs the Secretary to make nonrecourse marketing assistance loans available to eligible producers of wheat, feed grains, upland cotton, extra long staple cotton, rice, and oilseeds for each of the 1996 through 2002 crops of such commodities under terms and conditions prescribed by the Secretary at a loan rate calculated under 102A(c). Such loans shall have a term of nine months, and may not be extended by the Secretary.

New section 102A(b) directs the Secretary to announce the loan rate for each commodity not later than the start of the marketing year for such commodity.

New section 102A(c), in paragraph (1), establishes the loan rate for each commodity at 70 percent of the simple average price received by producers during the marketing years for the immediately preceding five crops (a rolling average).

New section 102A(c), in paragraph (2), directs the Secretary to reduce the loan rate of a commodity for a marketing year if the Secretary estimates that the market price for a commodity is likely to be less than loan rate calculated under paragraph (1).

New section 102A(c), in paragraph (3), instructs the Secretary to determine the five-year simple average price received by producers, excluding the highest and lowest years.

New section 102A(d) provides that, if the Secretary determines that the market price of a commodity falls below the lower of: (1) the loan rate; or (2) the adjusted loan rate set under paragraph (2), the Secretary shall allow such loan to be repaid at such market price. This subsection does not apply to marketing assistance loans for extra long staple cotton, rye or oilseeds.

New section 102A(e) authorizes the Secretary to make such adjustments in the announced loan rate for a commodity as the Secretary determines appropriate to reflect differences in grade, type, quality, location, and other factors.

New section 102A(f), in paragraph (1), provides that, in the case of a marketing assistance loan for a crop of wheat, feed grains (except rye), upland cotton, or rice, only a producer whose land on which the crop is raised is subject to a market transition contract shall be eligible for a marketing assistance loan.

New section 102A(f), in paragraph (2), provides that, in the case of a marketing assistance loan for a crop of extra long staple cotton, rye or oilseeds, any producer shall be eligible for a marketing assistance loan except as provided in subsection (d).

New section 102A(g) provides that the Secretary may not make payments to producers to cover storage charges incurred in connection with marketing assistance loans.

New section 102A(h), in paragraph (1), defines 'feed grains' to mean corn, grain sorghums, barley, oats, and rye; and in paragraph (2), defines 'oilseeds' to mean soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, and, if designated by the Secretary, other oilseeds.

New section 102A(i) authorizes the Secretary to issue such regulations as are necessary to carry out this section.

*Subsection (b). Repeal of current adjustment authority*

Subsection (b) repeals section 403 of the Agricultural Act of 1949, relating to loan rate adjustment authority.

*Section 1104.—Reform of payment limitation provisions of Food Security Act of 1985*

*Subsection (a). Attribution of payments made to corporations and other entities*

Subsection (a) amends paragraph (5)(C) of section 1001 of the Food Security Act of 1985 relating to payments made to corporations and other entities.

Amended section 1001(5)(C), in clause (i), directs the Secretary, in the case of payments to corporations and other entities described in section 1001(B)(i)(II), to attribute payments to individuals in proportion to their ownership interests in the corporation or entity receiving the payment, or in any other corporation or entity that has a substantial beneficial interest in the corporation or entity actually receiving the payment. The provisions of this subparagraph shall apply to individuals who hold or acquire, directly or through another corporation or entity, a substantial beneficial interest in the corporation or entity actually receiving the payment.

Amended section 1001(5)(C), in clause (ii), directs the Secretary, in the case of payments to corporations and other entities described in section 1001(B)(i)(II), to also attribute payments to any State (or political subdivision or agency thereof) or other corporation or entity that has a substantial beneficial interest in the corporation or entity actually receiving the payment in proportion to their ownership interests in the corporation or entity receiving the payment. The provisions of this subparagraph shall apply even if the payments are also attributable to individuals under clause (i).

Amended section 1001(5)(C), in clause (iii), provides that for purposes of subparagraph (C), 'substantial beneficial interest' means not less than five percent of all beneficial interests in the corporation or entity actually receiving the payment, except that the Secretary may set a lower percentage in order to ensure that the provisions of this section and the scheme or device provisions in section 1001B are not circumvented.

*Subsection (b). Tracking of payments*

Subsection (b) amends paragraph (3) of section 1001(A)(a) to provide that each entity or individual receiving payments as a separate person shall notify each individual or other entity that acquires or holds a substantial beneficial interest in it of the requirements and limitations of section 1001(A)(a). Each such entity or individual receiving payments shall provide to the Secretary, at such times and in such manner as prescribed by the Secretary, the name and social security number of each individual, or the name and taxpayer

identification number of each entity, that holds or acquires a substantial beneficial interest.

*Subsection (c). Conforming amendment*

Subsection (c) amends paragraph (2) of section 1001(A)(a) to provide that, for purposes of subsection 1001A(a), 'substantial beneficial interest' has the meaning given such term in amended section 1001(5)(C)(iii).

*Section 1105.—Suspension of certain provisions regarding program crops*

Section 1105 suspends provisions of permanent law relating to commodity programs for the 1996 through 2002 crop years.

*Subsection (a). Wheat*

Subsection (a) suspends: (1) sections 331 through 339, 379b, 379c (relating to wheat crops for 1996 through 2002); (2) sections 379d through 379j of the Agricultural Adjustment Act of 1938 (applicable to wheat processors or exporters from June 1, 1996 through May 31, 2003); (3) the joint resolution entitled "a joint resolution relating to corn and wheat marketing quotas under the Agricultural Adjustment Act of 1938, as amended" (applicable to the 1996 through 2002 crops of wheat); and (4) section 107 of the Agricultural Act of 1949 with respect to the wheat crops of 1996 through 2002.

*Subsection (b). Feed grains*

Subsection (b) suspends 105 of the Agricultural Act of 1949 with respect to the 1996 through 2002 crops of feed grains.

*Subsection (c). Cotton*

Subsection (c) suspends sections 342, 343, 344, 345, 346, and 377 of the Agricultural Adjustment Act of 1938 and section 103(a) of the Agricultural Act of 1949 with respect to the 1996 through 2002 crops of upland cotton.

**SUBTITLE B—MILK AND THE PRODUCTS OF MILK**  
**Chapter 1—Authorization of Market Transition Payments in Lieu of Milk Price Support Program**

*Section 1201.—Seven year market transition contracts for milk producers*

Section 1201 amends the Agricultural Act of 1949 by replacing section 204, and conforming sections 201(a) and 301 accordingly.

*Subsection (a). Contracts authorized*

Subsection (a) replaces existing section 204 of the Agricultural Act of 1949 with the following new provisions.

New section 204(a) authorizes the Secretary to enter into market transition contracts with milk producers in which a producer would agree to continue compliance with any government animal waste regulations and any wetlands protection requirements applicable to the producer's operation in exchange for seven market transition payments. A milk producer is defined as any person that was engaged in the production of milk on September 15, 1995, and that had received a payment during the 45-day period prior to that date for cows' milk marketed for commercial use.

New section 204(b) requires that contracts be entered not later than April 15, 1996, and that they shall extend through December 31, 2001.

New section 204(c) requires the Secretary to provide an estimate of payments anticipated under the market transition contract at the time the contract is entered.

New section 204(d) provides that the first payment under a market transition contract be made on April 15, 1996, or as soon thereafter as practicable. Subsequent payments would occur on October 15 of fiscal years 1997 through 2002.

New section 204(e) establishes the following payment schedule and payment rates: April 15, 1996 (10 cents/cwt); October 15, 1996 (15 cents/cwt); October 15, 1997 (13 cents/cwt); Oc-

tober 15, 1998 (11 cents/cwt); October 15, 1999 (9 cents/cwt); October 15, 2000 (7 cents/cwt); and October 15, 2001 (5 cents/cwt).

New section 204(f) requires the Secretary to determine the historic annual milk production, expressed in hundredweights (cwt) of milk, for each milk producer on the basis of the producer's milk checks or other records of commercial marketings of milk acceptable to the Secretary. If a producer has produced milk for at least three calendar years, the producer's historic annual milk production will be the average hundredweight of milk marketed during the three highest production years from 1991–1995. If a producer has produced milk for less than three calendar years, the producer's historic annual milk production will be the annualized average of the monthly quantity of milk marketed by the producer during the period in which the producer has produced milk.

New section 204(g) provides that a producer's payment in any fiscal year will be equal to the payment rate in effect for that fiscal year times the producer's historic annual milk production.

New section 204(h) provides that market transition contracts with milk producers are freely assignable, but that the Secretary may require notice of any assignment of a contract.

New section 204(i) permits the Secretary to terminate or adjust the market transition contract of a milk producer if the producer fails to comply with animal waste regulations or wetlands protection requirements. The Secretary is required to make a determination regarding violations of animal waste management regulations in consultation with appropriate State governmental authorities. If the Secretary determines that a termination is appropriate, the producer forfeits all rights to future payments and is further required to refund any payment received after the producer was notified of the violation. If the Secretary determines that the violation does not warrant termination, the Secretary may require the producer to refund any payment received after the producer was notified of the violation and may make adjustments in the amount of future payments otherwise required under the contract.

New section 204(j) provides that market transition contracts are legally binding.

*Subsection (b). Continued operation of existing program through 1995*

Subsection (b) provides that the dairy price support program under existing section 204 of the Agricultural Act of 1949 continues in operation through December 31, 1995 at which time it is terminated. Producers that are entitled to a refund of their 1995 budget reconciliation assessment (i.e., their marketings of milk in calendar year 1995 did not exceed their marketings of milk in calendar year 1994) will receive those refunds from CCC funds rather than from assessments on producers in 1996.

*Subsection (c). Conforming repeal of general authority to provide price support for milk*

Subsection (c) conforms sections 201(a) and 301 of the Agricultural Act of 1949 to eliminate milk from the designated and undesignated nonbasic agriculture commodities for which the Secretary has general authority to provide price support.

*Section 1202.—Recourse loans for commercial processors or dairy products*

Section 1201 amends the Agricultural Act of 1949 by replacing section 424 with the following.

New section 424(a) authorizes the Secretary to make recourse loans available to commercial processors of cheddar cheese,

butter and nonfat dry milk dairy products to assist those processors in assuring price stability for the dairy industry.

New section 424(b) provides that loans are to be made available at 90% of the reference for a product and at established CCC interest rates.

New section 424(c) provides that loans may not extend beyond the end of the fiscal year in which they are made, except that the Secretary may extend a loan for an additional period not to exceed the next fiscal year.

New section 424(d) defines the reference price for cheddar cheese as the average price for 40 pound blocks of cheddar cheese on the National Cheese Exchange for previous three months, for butter as the average price for butter on the Chicago Mercantile Exchange for butter for the previous three months, and for nonfat dry milk as the Western States price for nonfat dry milk for the previous three months.

#### Chapter 2—Dairy Export Programs

##### Section 1211.—Dairy Export Incentive Program

Section 1211 amends section 153(c) of the Food Security Act of 1985 to make the following revisions in the Dairy Export Incentive Program (DEIP).

###### Subsection (a). In general

Subsection (a) requires the Secretary to use the DEIP program to export the maximum allowable quantities of U.S. dairy products consistent with the obligations of the United States as a member of the World Trade Organization, minus the quantity sold under section 1163 of the Food Security Act of 1985 during that year, except to the extent that such volume would exceed the limitations on value set forth in subsection (f).

###### Subsection (b). Sole discretion

Subsection (b) establishes that the Secretary of Agriculture exercises sole discretion over the DEIP program.

###### Subsection (c). Market development

Subsection (c) authorizes the Secretary to include an amount for the development of world markets for U.S. dairy products in the payment rate for DEIP.

###### Subsection (d). Maximum allowance amounts

Subsection (d) limits the Secretary's use of money and commodities for the DEIP program in any year to the maximum amount consistent with the obligations of the United States as a member of the World Trade Organization minus the amount expended under section 1163 of the Food Security Act of 1985 during that year.

###### Subsection (e). Conforming amendment

Subsection (e) extends the operations of the DEIP program through the year 2002.

##### Section 1212.—Authority to assist in establishment and maintenance of export trading company

Section 1212 authorizes the Secretary of Agriculture to assist the United States dairy industry in establishing and maintaining an export trading company under the Export Trading Company Act of 1982 to facilitate the international market development for an exportation of U.S. dairy products.

##### Section 1213.—Standby authority to indicate entity best suited to provide international market development and export services

Section 1213 provides standby authority for the Secretary of Agriculture to indicate which entity, autonomous of the U.S. government, is best suited to provide international market development and export services to the U.S. dairy industry and to assist that entity in identifying sources of funding for its activities.

##### Subsection (a). Indication of entity best suited to assist in the international development for and export of United States dairy products

Subsection (a) provides that, in the event that (1) the U.S. dairy industry does not establish an export trading company, or (2) the quantity of exports of U.S. dairy products during the period July 1, 1996–June 30, 1997 does not exceed the quantity of exports of U.S. dairy products during the period July 1, 1995–June 30, 1996 by 1.5 billion pounds (milk equivalent), the Secretary is directed to indicate which entity autonomous of the U.S. government is best suited to facilitate the international market development for and exportation of U.S. dairy products.

###### Subsection (b). Funding of export activities

Subsection (b) requires the Secretary to assist the entity chosen by the Secretary in subsection (a) in identifying sources of funding for its activities from within the dairy industry and elsewhere.

###### Subsection (c). Application of section

Subsection (c) limits the Secretary's authority to engage in the activities specified in section 1213 to the period between July 1, 1997 and September 30, 2000.

##### Section 1214.—Study and report regarding potential impact of Uruguay Round on prices, income and Government purchases

###### Subsection (a). Study

Subsection (a) directs the Secretary of Agriculture to perform a study of the potential impact of new access cheese imports under the Uruguay Round on U.S. milk prices, dairy producer income, and the cost of Federal dairy programs.

###### Subsection (b). Report

Subsection (b) directs the Secretary to report the results of the study conducted under subsection (a) to the Committees on Agriculture of the Senate and the House of Representatives not later than September 30, 1996.

###### Subsection (c). Rule of construction

Subsection (c) provides that any restriction on the conduct or completion of studies or reports to Congress shall not apply to this study unless section 1216 is explicitly referenced by that restriction.

#### Chapter 3—Dairy Promotion Programs

##### Section 1221.—Research and promotion activities under Fluid Milk Promotion Act of 1990

The following sections of the Fluid Milk Promotion Act of 1990 (subtitle H of title XIX of Public Law 101-624) are amended.

###### Subsection (a). Extension of order

Subsection (a) amends section 1999O to eliminate the automatic termination of any order issued under the Act on December 31, 1996.

###### Subsection (b). Definition of research

Subsection (b) amends section 1999C to expand the definition of research to include research that would lead to the expansion of sales of fluid milk products, the development of new products and new product characteristics, and improved technology in the production, manufacturing and processing of milk and the products of milk.

###### Subsection (c). Conforming amendments regarding marketing orders

Subsection (c) amends section 1999J to conform the Fluid Milk Promotion Act to amendments made in chapter 4 of this subtitle which eliminate the Federal milk marketing order program.

###### Subsection (d). Clarification of referendum requirements

Subsection (d) amends sections 1999N and 1999O to clarify the referendum requirements

of the Fluid Milk Promotion Act which were inadvertently impacted by amendments made to the Act in 1993 which altered the definition of "fluid milk processor". Any future order issued under the Act must now be approved by the affirmative votes of fluid milk processors representing 60 percent or more of the volume of fluid milk products marketed by all fluid milk processors voting in the referendum before it can be implemented.

##### Section 1222.—Expansion of Dairy Promotion Program to cover dairy products imported into the United States

Section 1222 amends the Dairy Production Stabilization Act of 1983 to extend the assessment for generic research and promotion on U.S. dairy producers to imported dairy products.

###### Subsection (a). Declaration of policy

Subsection (a) amends section 110(b) to include imported dairy products among those items upon which an assessment for generic dairy promotion is levied.

###### Subsection (b). Definitions

Subsection (b) amends section 111 to alter the definitions of "milk", "dairy products", "research", and "United States" and to add definitions of "importer" and "exporter" to facilitate the extension of the dairy promotion assessment to imported dairy products, including casein.

###### Subsection (c). Membership of board

Subsection (c) amends section 113(b) to expand the membership of the National Dairy Promotion and Research Board from 36 to 38 members to include one importer and one exporter as members.

###### Subsection (d). Assessment

Subsection (d) amends section 113(g) to place an assessment on imported dairy products equal to 1.2 cents per pound of total milk solids in such products or 15 cent per hundred weight of milk in such products, whichever is less. Importers of dairy products will be entitled to the same credit for contributions to State or regional promotion or nutrition programs to which domestic producers are entitled.

###### Subsection (e). Records

Subsection (e) amends section 113(k) to require importers to maintain such records and make such reports as the Secretary determines are appropriate to the administration or enforcement of the promotion program.

###### Subsection (f). Termination or suspension of order

Subsection (f) amends section 116(b) to include importers among those eligible to vote on the suspension or termination of any order issued under the Act.

##### Section 1223.—Promotion of United States dairy products in international markets through Dairy Promotion Program

Section 1223 amends section 113(e) of the Dairy Production Stabilization Act of 1983 to require that the budget of the National Dairy Promotion and Research Board during each of the fiscal years from 1996 and 2000 shall provide for the expenditure of not less than 10 percent of anticipated revenues available to the Board on the development of international markets for, and the promotion within such markets of, U.S. dairy products.

##### Section 1224.—Issuance of amended order under Dairy Production Stabilization Act of 1983

Section 1224 establishes the following procedure to implement the amendments required by sections 1222 and 1223 to the dairy products promotion and research order issued under the Dairy Production Stabilization Act of 1983.

*Subsection (a). Implementation of amendments*

Subsection (a) requires the Secretary to issue an amended dairy products promotion and research order reflecting the amendments in sections 1222 and 1223, and no other changes to the order in existence on the date of enactment of this Act.

*Subsection (b). Proposal of amended order*

Subsection (b) directs the Secretary to publish a proposed order reflecting the amendments in sections 1222 and 1223 not later than 60 days following the enactment of this Act, and shall provide notice and an opportunity for public comment on the proposed order.

*Subsection (c). Issuance of amended order*

Subsection (c) provides that, following notice and an opportunity for public comment, the Secretary shall issue a final dairy products promotion and research order.

*Subsection (d). Effective date*

Subsection (d) requires the final dairy products promotion and research order to be issued and become effective not later than 120 days following the publication of the proposed order.

*Subsection (e). Referendum on amendments*

Subsection (e) amends section 115 of the Dairy Production Stabilization Act of 1983 to direct the Secretary to conduct a referendum of producers and importers not later than 36 months after the issuance of the final order reflecting the amendments required by sections 1222 and 1223 for the sole purpose of determining whether those amendments shall be continued.

*Chapter 4—Verification of Milk Receipts*

*Section 1231.—Program to verify milk receipts*

Section 1231 creates a new subsection (j) in section 204 of the Agricultural Act of 1949 to establish a program to verify receipts of milk and audit marketing agreements and other contracts for the marketing and receipt of milk between producers and handlers.

*Subsection (a). Establishment of verification program*

Subsection (a) provides that, under new section 204(j)(1), the Secretary shall establish a program through which the verification of receipts of all cow's milk marketed commercially in the contiguous 48 States and the auditing of marketing agreements with respect to receipts of such milk can be accomplished. The Secretary shall prescribe regulations to implement the verification program.

New section 204(j)(2) requires the program to provide a means by which: (1) processors, associations of producers and other engaged in the handling of milk and milk products file reports with the Secretary regarding receipts of milk, prices paid for milk, and the purposes for which milk was used by handlers, (2) authorized deductions from payments to producers, including assessments for research and promotion programs, are collected, (3) assurance of payment by handlers for milk is achieved, and (4) the reports, records, and facilities of handlers are reviewed and verified. The Secretary shall publish statistics regarding receipts, prices and uses of milk. Statistics published by the Secretary are to include information on payments received by producers for milk on a component basis. The expenses associated with the collection and publication of such statistics are to be paid by handlers. Such assessments shall not exceed the total expenses of the Secretary.

New section 204(j)(3) directs that the program shall further provide a means by which the weighing, sampling, and testing of milk

purchased from producers is accomplished and verified. Cooperative Marketing Associations may continue to provide such services for their members. The cost of providing such marketing services shall be paid by producers. Such assessments shall not exceed the total cost of the services.

New section 204(j)(4) authorizes producer and associations of producers to negotiate and enter into marketing agreements or other private contracts with handlers for the marketing or receipt of milk. Upon request, the Secretary may audit an agreement or contract to assure compliance with its terms. The Secretary is to be reimbursed for any costs associated with an audit.

New section 204(j)(5) provides that no marketing agreement or government regulations applicable to milk or its products in any marketing area or jurisdiction shall prohibit or in any manner limit the marketing in that area of any milk or product of milk produced in any production area in the United States.

New section 204(j)(6) mandates that, effective July 1, 1996, the verification program shall supersede any Federal milk marketing order issued under section 8c of the Agricultural Adjustment Act, reenacted with amendments by the Agricultural Marketing Agreement Act of 1937 with respect to milk or the products of milk.

*Subsection (b). Time for issuance*

Subsection (b) requires the Secretary to issue final regulations implementing the verification program not later than July 1, 1996.

*Subsection (c). Process*

Subsection (c) provides that the Secretary shall issue proposed regulations not later than April 1, 1996, and shall provide for a comment period on the proposed regulations not to exceed 60 days nor extend past May 31, 1996.

*Section 1232.—Verification program to supersede multiple existing Federal orders*

Section 1232 provides that the verification program established by section 1231 will supersede existing Federal milk marketing orders by making the following amendments to the Agricultural Adjustment Act, reenacted with amendments by the Agricultural Marketing Agreement Act of 1937.

*Subsection (a). Termination of milk marketing orders*

Subsection (a) terminates existing Federal milk marketing orders by striking paragraphs (5) and (18) of section 8c.

*Subsection (b). Prohibition on subsequent orders regarding milk*

Subsection (b) conforms paragraph (2) of section 8c to remove milk from the list of commodities for which the Secretary has general authority to issue marketing orders.

*Subsection (c). Conforming amendments*

Subsection (c) makes conforming amendments to section 2(3), 8c(6), 8c(7)(B), 8c(11)(B), 8c(13)(A), 8c(17), 8d(2), 10(b)(2), and 11.

*Subsection (d). Effective date*

Subsection (d) provides that the amendments made by section 1232 are effective on July 1, 1996.

*Chapter 5—Miscellaneous Provisions Related to Dairy*

*Section 1241.—Extension of transfer authority regarding military and veterans hospitals*

The authority of the Secretary to transfer dairy commodities to military and veterans hospitals in extended through 2002.

*Section 1242.—Extension of Dairy Indemnity Program*

The Dairy Indemnity Program is extended until 2002.

*Section 1243.—Extension of report regarding export sales of dairy products*

The requirement that the Secretary report on export sales of dairy products is extended through 2002.

*Section 1244.—Status of producer-handlers*

The legal status of producer-handlers is not altered or otherwise affected by the provisions of this subtitle.

SUBTITLE C—OTHER COMMODITIES

*Section 1301.—Extension and modification of price support and quota programs for peanuts*

Section 1301 amends section 108B of the Agricultural Act of 1949 and part VI of subtitle B of title III of the Agricultural Adjustment Act of 1938, which are currently effective only for the 1991 through 1997 crops of peanuts, by extending such section and part through the 2002 crops of peanuts.

*Subsection (a). Extension of price support program*

Subsection (a) amends subsections (a)(1), (b)(1), (g)(1), (g)(2)(A), and (h) of section 108B of the Agricultural Act of 1949 by extending such price support, marketing assessment, and reporting provisions for quota and additional peanuts through the 2002 crops of peanuts.

*Subsection (b). Changes to price support program*

This subsection amends section 108B of the Agricultural Act of 1949 by making changes in the price support provisions of such section.

Amended section 108B(a), in paragraph (2), establishes a national average quota support rate for the 1996 through 2002 crops of quota peanuts at \$610 per ton. Section 1301(b)(1)(B) provides that such amendment does not affect the loan rate in effect for the 1995 crop of quota peanuts.

Amended section 108B(a), in new paragraph (4), provides that the Secretary shall reduce the support rate by 15 percent for any producer on a farm who had available to the producer an offer from a handler to purchase quota peanuts from the farm at a price equal to or greater than the applicable quota support rate (and redesignates existing paragraphs (4) and (5) as paragraphs (5) and (6)).

Amended subsection 108B(d)(2) provides that losses in quota area pools shall be covered using the following sources in the following order of priority:

(A) the proceeds due any producer from any pool shall be reduced by the amount of losses incurred on transfers of peanuts from an additional loan pool to a quota loan pool by such producer under section 358-1(b)(8) of the Agricultural Adjustment Act of 1938;

(B) further losses in a quota pool shall be offset by reducing the gain of any producer in such pool by the amount of pool gains to the same producer from the sale of additional peanuts for domestic and export edible use;

(C) the Secretary shall use marketing assessment funds collected from growers under subsection (g) (except funds attributable to handlers) to offset further losses in area quota pools (any such unused assessment funds shall be transferred to the Treasury);

(D) further losses in area quota pools, other than losses incurred as a result of transfers from additional loan pools to quota loan pools under section 358-1(b)(8), shall be offset by any gains or profits from quota pools in other production areas (not including separate type pools established for Valencia peanuts produced in New Mexico) as the Secretary provides by regulation; and (E) any further losses in an area quota pool (not covered by subparagraphs A, B, C and D) shall be covered by an increase in the marketing

assessment imposed by the Secretary, but such increase in an assessment shall only apply to quota peanuts in such pool.

*Subsection (c). Extension of national poundage quota*

Subsection (c) amends subsections (a)(3), (b)(1)(A), (b)(1)(B), (b)(2)(A) and (C), (b)(3)(A), and (f) of section 358-1, subsection (c) of section 358b, subsection (d) of section 358c, and subsection (i) of section 358e of part VI of subtitle B of title III of the Agricultural Adjustment Act of 1938 by extending such subsections through the 2002 marketing year.

*Subsection (d). Prioritized quota reductions*

Subsection (d) amends section 358-1(b)(2)(C) of the Agricultural Adjustment Act of 1938 Act to provide a priority method for allocating decreases in poundage quota.

Amended section 358-1(b)(2)(C) provides that if the poundage quota apportioned to a State under section 358-1(a)(3) is decreased, rather than apply the decrease to all farms in the State, such decrease shall be first be allocated among farms in the following order:

- (i) farms owned or controlled by municipalities, airport authorities, schools, colleges, refuges, and other public entities.
- (ii) farms for which the quota holder is not a producer and resides in another State.
- (iii) farms for which the quota-holder, although a resident of the State, is not a producer.
- (iv) other farms described in the first sentence of this subparagraph.

*Subsection (e). Elimination of quota floor*

Subsection (e) amends section 358-1(a)(1) of the Agricultural Adjustment Act of 1938 by eliminating the 1,350,000 ton minimum national poundage quota.

*Subsection (f). Spring and fall transfers within a State*

Subsection (f) amends section 358b(a)(1) of the Agricultural Adjustment Act of 1938 relating to farm poundage quota transfer.

Amended section 358b(a), in paragraph (1), allows farm poundage quota to be sold or leased, either before or after the normal planting season, to any other owner or operator of a farm in the same State. Current provisions requiring 90 percent of a farm's basic quota to be planted or considered planted before a fall (or after the normal planting season) transfer is allowed are maintained.

*Subsection (g). Transfers in counties with small quota*

Subsection (g) amends section 358b(a) of the Agricultural Adjustment Act of 1938 by adding a new paragraph (4) which authorizes the sale, lease or other transfer of farm poundage quota at any time to any other farm within a State if the county in which the transferring farm is located was less than 10,000 tons of national poundage quota for the preceding year's crop. Current authority regarding quota transfers to other self-owned farms in paragraph 2 and transfers in States with less than 10,000 tons of quota in paragraph (3) is maintained.

*Subsection (h). Undermarketings*

Subsection (h) amends section 358-1(b) of the Agricultural Adjustment Act of 1938 by deleting paragraphs (8) and (9) relating to increases in farm poundage quota based on undermarketings in previous marketing years (and adds conforming amendments).

*Subsection (i). Limitation of payments for disaster transfer*

Section (i) amends section 358-1(b) of the Agricultural Adjustment Act of 1938 by adding a new paragraph (8) relating to disaster transfer authority.

Amended section 358-1(b), in a new paragraph (8), provides that additional peanuts

on a farm from which the quota poundage was not harvested and marketed because of drought, flood, or any other natural disaster, may be transferred to the quota loan pool, under certain conditions, except that such peanuts shall be supported at a total of not more than 70 percent of the quota support rate, for the marketing years in which such transfers occur, and such transfers shall not exceed 25 percent of the total farm quota pounds, including pounds transferred in the fall.

*Subsection (j). Temporary quota allocation*

Subsection (j) amends section 358-1(b)(2) of the Agricultural Adjustment Act of 1938 by deleting the current subparagraph (B) relating to allocation of increased quota in Texas and inserting a new subparagraph (B) authorizing temporary increases in quota based on seed use.

Amended section 358-1(b)(2), in subparagraph (B), provides that, for the 1996 through 2002 marketing years, a temporary quota allocation for the marketing year only in which the crop is planted, equal to the number of pounds of seed peanuts planted for the farm that shall be made to the producers for the 1996 through 2002 marketing years, in addition to the normal farm poundage quota established under section 358-1. Subparagraph (B) also provides that there is no change in the requirement regarding the use of quota and additional peanuts established by section 359a(b) of the Agriculture Adjustment Act of 1938. A conforming amendment deletes the word "seed" from subsection (a)(1) relating to the establishment of national poundage quotas.

*Subsection (k). Suspension of marketing quotas and acreage allotments*

Subsection (k) suspends subsections (a) through (j) of section 358, subsections (a), (b), (d) and (e) of section 358d, part I of subtitle C of title III, and section 371 of the Agricultural Adjustment Act of 1938 relating to the suspension of marketing quotas and acreage allotments for the 1996 through 2002 crops of peanuts.

*Subsection (l). Extension of reporting and recordkeeping requirements*

Subsection (l) amends section 373(a) of the Agricultural Adjustment Act of 1938 by extending the recordkeeping requirements of such section to the 1996 through 2002 crops of peanuts.

*Subsection (m). Suspension of certain price support provisions*

Subsection (m) suspends section 101 of the Agricultural Act of 1949 related the authority of the Secretary to provide price supports for any crop at a level not in excess of 90 percent of the parity price of the commodity for the 1996 through 2002 crops of peanuts.

*Section 1302.—Availability of loans for processor of sugar cane and sugar beets*

*Subsection (a). Sugar loans*

Subsection (a) amends section 206 of the 1949 Act to provide loans for the 1996 through 2002 crops of domestically grown sugarcane and sugar beets.

Amended subsection 206(a) sets the loan rate for raw cane produced from domestically grown sugarcane crops, subject to the authority of the Secretary to reduce loans as provided in subsection (c), at the 1995 level.

Amended subsection 206(b) sets the loan rate for refined beet sugar produced from domestically grown sugar beet crops, subject to the authority of the Secretary to reduce loans as provided in subsection (c), at the 1995 level.

Amended subsection 206(c)(1) requires the Secretary to reduce the loan rate specified in subsections (a) and (b) if the Secretary deter-

mines that negotiated reductions in export subsidies provided for sugar of the European Union and other major sugar exporting countries in the aggregate exceed the commitments made as part of the Agreement on Agriculture. Amended subsection 206(c) also provides that the Secretary shall not reduce the loan rate under subsections (a) and (b) below a rate that provides domestic sugar a competitive measure of support to that provided by the European Union and other sugar exporting countries based on the provisions of Agreement on Agriculture, section 101(d)(2) of the Uruguay Round Agreements Act.

Amended subsection 206(d) provides for the Secretary to carry out the section through the use of recourse loans for sugar. However, it also provides that during any fiscal year in which the tariff rate quota (TRQ) for imports of sugar into the U.S. is set, or increased to, a level that exceeds the loan modification threshold, the Secretary is directed to carry out this section by making nonrecourse loans (previously made recourse loans are to be modified by the Secretary into nonrecourse loans). The "loan modification threshold", for sugar for purposes of the subsection, means 1,257,000 short tons raw value for fiscal years 1996 and 1997, and for subsequent fiscal years, 103 percent of the loan modifications threshold for the previous fiscal year. If the Secretary is required to make nonrecourse loans (or modify recourse loans) under this subsection during a fiscal year, the Secretary is to obtain from processors adequate assurances that such processors will provide appropriate minimum payments to producers as set by the Secretary. Not later than September 1, of each fiscal year, the Secretary shall announce the loan modification threshold that shall apply for the subsequent fiscal year.

Amended 206(e) provides that for three month loans, which can be extended for additional three-month periods, except that a loan may not be extended beyond nine months nor extended beyond the end of the fiscal year (September 30). Processors may terminate a loan and redeem the collateral at any time by paying all principal, interest, and any applicable fees.

Amended subsection 206(f) directs the Secretary to use the funds, facilities, and authorities of the Commodity Credit Corporation in carrying out this section.

Amended subsection 206(g) requires first processors of raw cane sugar to CCC non-refundable marketing assessment for each pound of raw cane sugar equal to 1.5 percent of the loan rate, while first processors of sugar beets are to remit to CCC a marketing assessment of 1.6083 percent of the loan rate for raw cane sugar, during fiscal year 1996 through 2003 on all marketings. Assessments are to be collected on a monthly basis, except that any inventory which has not been marketed by September 30 of a fiscal year shall be assessed at that point, except that the latter sugar shall not be assessed later when it is marketed. Any person who fails to remit the assessment is liable for a penalty based on the quantity of the sugar involved in the violation times the applicable loan rate at the time of violation. "Market" is defined in paragraph (6) to mean to sell or otherwise dispose of in commerce (including the movement of raw cane sugar into the refining process in the case of integrated processor and refiner) and deliver to a buyer.

Amended subsection 206(h) requires processors and refiners must report such information to the Secretary as is required in order to administer the program. A penalty applies for failure to report and the Secretary is required to make monthly reports on pertinent sugar production, etc. data.

Amended subsection 206(i) requires the Secretary to estimate, each year on a quarterly basis, the domestic demand for sugar which shall be equal to domestic consumption, plus adequate carryover stocks, minus carry-in-stocks. Quarterly reestimates are to be made by the Secretary at the beginning of each of the second through fourth quarters.

Amended subsection 206(j) authorizes the Secretary to issue such regulations as are necessary to implement this section.

*Subsection (b). Effect on existing loans for sugar*

Subsection (b) provides that the amendments made to section 206 of the Agricultural Act of 1949 by subsection (a), above, shall not affect loans made before the date of enactment of this Act for the 1991 through 1995 crops of sugarcane and sugar beets.

*Subsection (c). Termination of marketing quotas and allotments*

Subsection (c) repeals Part VII of subtitle B of title III of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359aa-1359jj) relating to marketing quotas and allotments.

*Section 1303.—Repeal of obsolete authority for price support for cottonseed and cottonseed products*

Section 301(b) of the Disaster Assistance Act of 1988 is amended by striking paragraph (1) and section 420 of the Agriculture Act of 1949 is repealed.

SUBTITLE D—MISCELLANEOUS PROGRAM CHANGES

*Section 1401.—Limitation on assistance under Emergency Livestock Feed Assistance Program*

This section amends section 609 of the Emergency Livestock Feed Assistance Act of 1988 by striking subsections (c) and (d) and inserting a new subsection (c) to provide that no person may receive benefits attributable to lost product of a fee commodity if catastrophic insurance protection or noninsured crop disaster assistance is available to the person under the Federal Crop Insurance Act.

*Section 1402.—Conservation Reserve Program*

*Subsection (a). Limitations on acreage enrollments*

Subsection (a) in paragraph (1) amends section 1231(d) of the Food Security Act of 1985 to limit the total number of acres authorized to be enrolled in the Conservation Reserve Program to 36,400,000 acres, and paragraph (2) amends section 727 if the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1996 by striking the proviso relating to the enrollment of new acres beginning in calendar year 1997.

*Subsection (b). Optional contract termination by producers*

Subsection (b) amends section 1235 of the Food Security Act of 1985 by adding a new subsection (e).

New subsection (e), in paragraph (1), provides that an owner or operator of land enrolled under a conservation reserve contract may terminate the contract upon written notice to the Secretary.

New subsection (e), in paragraph (2), provides that the cancellation shall become effective 60 days after the owner or operator submits written notice under paragraph (1).

New subsection (e), in paragraph (3), provides that when a contract is terminated before the end of a fiscal year, the annual payment shall be prorated accordingly.

New subsection (e), in paragraph (4), provides that a contract termination under this section does not affect the future eligibility of an owner or operator to submit a subsequent bid to enroll in the conservation reserve program.

New subsection (e), in paragraph (5), provides that, if land is returned to production of an agricultural commodity upon termination of a contract under this section, the Secretary cannot impose conservation requirements on such lands which are more onerous than the requirements imposed on other lands.

*Subsection (c). Limitation on rental rates*

Subsection (c) amends section 1234(c) of the Food Security Act of 1985 by adding a new paragraph (5), which limits rental rates for contracts that are extended, or new contracts covering land that was previously enrolled in the conservation reserve program, not to exceed 75 percent of the annual rental payment under the previous contract.

*Section 1403.—Crop insurance*

*Subsection (a). Conversion of catastrophic risk protection program to voluntary program*

Subsection (a) amends section 508(b)(7) of the Federal Crop Insurance Act by redesignating current subparagraph (B) as (C) and inserting a new subparagraph (B) that provides that catastrophic risk protection may be declined, beginning with the spring-planted 1996 crops and in any subsequent crop years, and remain eligible for a market transition contract or marketing assistance loan, the conservation reserve program or any benefit described in section 371 of the Consolidated Farm and Rural Development Act as long as the producer agrees in writing to waive any eligibility for emergency crop loss assistance with respect to losses for which the producer declines to obtain catastrophic risk protection.

*Subsection (b). Delivery of voluntary catastrophic protection*

Subsection (b) amends section 508(b)(4) of the Federal Crop Insurance Act by inserting new subparagraphs (C) and (D).

Amended section 508(b)(4), in new subparagraph (C), provides that, if mandatory participation is not required, the Secretary will no longer have the option of delivering catastrophic risk protection coverage for agricultural crops and all such risk protection policies written by the Department prior to that date will be transferred, along with all fees collected, to the private sector for all service and loss adjustment functions.

Amended section 508(b)(4), in new subparagraph (D), provides that the Federal Crop Insurance Corporation (FCIC) must consult with approved insurance providers in developing a plan to ensure that each producer of an insured crop has the option to be served by an approved insurance provider if insurance is available for that crop in the county, and the FCIC shall report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate by May 1, 1996, regarding the implementation of such plan.

*Subsection (c). Establishment of the Office of Risk Management*

Subsection (c) amends the Department of Agriculture Reorganization Act of 1994 by inserting after section 226 a new section 226A.

New section 226A(a) directs the Secretary to establish and maintain an independent Office of Risk Assessment within the Department.

New section 226A(b) provides that such office shall have jurisdiction over:

(1) the supervision of FCIC.

(2) administration and oversight of all aspects of all programs authorized by the Federal Crop Insurance Act;

(3) any pilot or other programs involving revenue insurance, risk management, savings accounts, or the use of the futures mar-

ket to manage risk and support farm income that may be established under the FCIC Act or other law; and

(4) such other functions as the Secretary considers appropriate.

New section 226A(c) provides that the Office shall be headed by an Administrator who shall be appointed by the Secretary, and that the Administrator shall also serve as the Manager of FCIC.

New section 226A(d), in paragraph (1), authorizes the consolidation of the human resources, public affairs, and legislative affairs functions of the Office of Risk Management under the Under Secretary of Agriculture for Farm and Foreign Agricultural Services.

New section 226A(d), in paragraph (2), directs the Secretary to provide human and capital resources to the Office of Risk Management sufficient to enable the Office to carry out its functions in a timely and efficient manner.

New section 226A(d), in paragraph (3), provides that not less than \$88,500,000 of the fiscal year 1996 appropriation provided for the salaries and expenses of the Consolidated Farm Services Agency shall be provided to the Office of Risk Management for its salaries and expenses.

*Subsection (d). Reconfiguration of board of directors*

Subsection (d) amends section 505 of the Federal Crop Insurance Act by making changes in the composition and functions of the FCIC Board of Directors.

Amended section 505(a) vests the management of FCIC in a Board of Directors subject to the general supervision of the Secretary.

Amended section 505(b)(1) provides that the Board shall consist of the manager of FCIC, the Under Secretary of Agriculture for Farm and Foreign Agricultural Services, one person who is an officer or employee of an approved insurance provider, one person who is a licensed crop insurance agent, and one person who is experienced in the reinsurance business not otherwise employed by the Federal Government, and four active producers who are not otherwise employed by the Federal Government. The Secretary shall not serve as a member of the Board.

Amended section 505(b)(2) provides that in appointing the 4 active producers the Secretary shall ensure that 3 such members are policyholders from different geographic areas of the U.S. with diverse agricultural interests. The fourth active producer may also be a policyholder and shall be a person who receives a significant portion of crop income from crops covered by the noninsurance crop disaster assistance program established in section 519 of the Federal Crop Insurance Act.

Amended section 505(c) provides for the appointment, terms, and succession of members of the Board. The Administrator of the Office of Risk Management shall serve as the Manager of the FCIC. Terms of office shall be for 3 years except for the first term which will provide for different expiring terms. A member may serve after expiration of his or her term until a successor is appointed.

Amended section 505(d) provides that five of the Board members in office shall constitute a quorum for the transaction of business.

Amended section 505(e) provides that the powers of the Board to execute the functions of FCIC shall be impaired at any time there are not six members of the Board in office, which shall also serve to impair the powers of the Manager to act under any delegation of power provided in subsection (g).

Amended section 505(f)(1) provides that members of the Board who are employees of USDA shall not be further compensated, but may be allowed travel and subsistence expenses outside of Washington, D.C.

Amended section 505(f)(2) provides that members of the Board who are not Federal Government employees shall be compensated as the Secretary determines, except that such compensation shall not exceed a level V of the Executive Schedule under section 5316 of title 5, United States Code. Actual necessary traveling and subsistence expenses are also authorized and are to be paid out of the insurance fund established in section 516(c).

Amended section 505(g) provides that the Manager of FCIC shall also be its chief executive officer, with such power as the Board may confer.

#### *Section 1404.—Repeal of the Farmer Owned Reserve Program*

##### *Subsection (a). Repeal*

Subsection (a) of this section repeals the Farmer Owned Reserve Program authorized by section 110 of the Agricultural Act of 1949.

##### *Subsection (b). Effect of repeal on existing loans*

Subsection (b) clarifies that the repeal of the Farmer Owned Reserve Program under this section does not affect the validity or terms and conditions of any extended price support loan provided under such program before the date of enactment of this Act.

#### *Section 1405.—Reduction in funding levels for export enhancement program*

Section 301(e)(1) of the Agricultural Trade Act of 1978 is amended so as to limit the amount of the CCC funds or commodities available for the Export Enhancement Program as follows: \$400,000,000 for fiscal years 1996 and 1997; \$500,000,000 for fiscal year 1998; \$550,000,000 for fiscal year 1999; \$579,000,000 for fiscal year 2000; and \$478,000,000 for fiscal years 2001 and 2002 (not more than \$500,000 was provided for fiscal year 1995).

#### *Section 1406.—Business Interruption Insurance Program*

##### *Subsection (a). Establishment of program*

Subsection (a) directs that not later than December 31, 1996, the Secretary is to establish a Business Interruption Insurance Program that allows a producer of a program crop to obtain revenue insurance coverage in case of loss of revenue for a program crop. The Secretary is authorized to determine the nature and extent of such a program including the manner of determining the amounts of indemnity to be paid.

##### *Subsection (b). Report on progress and proposed expansion*

Subsection (b) provides that the Secretary must submit data to the Commission on 21st Century Production Agriculture established under Subtitle E by January 1, 1998, regarding the results of the program through October 1, 1997. The Secretary shall also make recommendations to the Commission about how to best offer a revenue insurance program to agricultural producers in the future, at one or more levels of coverage, that—(1) is in addition to or in lieu of, catastrophic and higher levels of crop insurance, (2) is offered through reinsurance arrangements with private companies, (3) is actuarially sound, and (4) requires the payment of premiums and administrative fees by participating producers.

##### *Subsection (c). Programs crop defined*

Subsection (c) defines program crop to mean wheat, corn, grain sorghums, oats, barley, upland cotton, or rice.

#### *SUBTITLE E—COMMISSION ON 21ST CENTURY PRODUCTION AGRICULTURE*

#### *Section 1501.—Establishment*

This section establishes a commission to be known as the "Commission on 21st Century Production Agriculture."

#### *Section 1502.—Composition*

##### *Subsection (a). Membership and appointment*

Subsection (a) of this section requires that the Commission be composed of eleven members: three members appointed by the President; four members appointed by the Chairman of the Committee on Agriculture of the House of Representatives (in consultation with the ranking minority member); and four members appointed by the Chairman of the Committee on Agriculture, Nutrition, and Forestry of the Senate (in consultation with the ranking minority member).

##### *Subsection (b). Qualifications*

Subsection (b) establishes the qualifications required of the persons appointed to the Commission. At least one member appointed by each the President, the Chairman of Committee on Agriculture of the House of Representatives, and the Chairman of the Committee on Agriculture, Nutrition, and Forestry of the Senate shall be an individual who is primarily involved in production agriculture. All other members appointed to the Commission must have knowledge and experience in agriculture production, marketing, finance, or trade.

##### *Subsection (c). Term of members; vacancies*

Subsection (c) requires that the appointment to the Commission be for the life of the Commission. It also directs that a vacancy on the Commission shall not affect the Commission's power and shall be filled in the same manner as the original appointment.

##### *Subsection (d). Time for appointment; first meeting*

Subsection (d) requires that the members of the Commission be appointed no later than October 1, 1997 and that the Commission convene its first meeting 30 days after six members of the Commission have been appointed.

##### *Subsection (e). Chairman*

Subsection (e) requires that the chairman of the Commission be designated jointly by the Chairman of the Committee on Agriculture of the House of Representatives and the Chairman of the Committee on Agriculture, Nutrition, and Forestry of the Senate from among the members of the Commission.

#### *Section 1503.—Comprehensive review of past and future of production agriculture*

##### *Subsection (a). Initial review*

Subsection (a) of this section requires the Commission to conduct a comprehensive review of changes in the condition of production agriculture in the United States subsequent to the date of enactment of this Act and the extent to which such changes are the result of the changes made by this Act. This review shall include: (1) the assessment of the initial success of market transition contracts in supporting the economic viability of farming in the United States; (2) the assessment of the food security situation in the United States in the areas of trade, consumer prices, international competitiveness of United States production agriculture, food supplies, and humanitarian relief; (3) an assessment of the changes in farm land values and agricultural producer incomes; (4) an assessment of the regulatory relief for agricultural producers that has been enacted and implemented, including the application of cost/benefit principles in the issuance of agricultural regulations; (5) an assessment of the tax relief for agricultural producers that has been enacted in the form of capital gains tax reductions, estate tax exemptions, and mechanisms to average tax loads over high and low-income years; (6) an assessment of the effect of any Government interference in agricultural export markets, such as the im-

position of trade embargoes, and the degree of implementation and success of international trade agreements; and (7) the assessment of the likely effect of the sale, lease, or transfer of farm poundage quota for peanuts across State lines.

##### *Subsection (b). Subsequent review*

Subsection (b) requires the Commission to conduct a comprehensive review of the future of production agriculture in the United States and the appropriate role of the Federal Government in support of production agriculture. This review shall include: (1) an assessment of changes in the condition of production agriculture in the United States since the initial review under subsection (a); (2) an identification of the appropriate future relationship of the Federal Government with production agriculture after 2002; and (3) an assessment of the manpower and infrastructure requirements of the Department of Agriculture necessary to support the future relationship of the Federal Government with production agriculture.

##### *Subsection (c). Recommendations*

Subsection (c) requires that the Commission develop specific recommendations for legislation to achieve the appropriate future relationship of the Federal Government with production agriculture identified under subsection (a)(2).

#### *Section 1504.—Reports*

##### *Subsection (a). Report on initial review*

Subsection (a) of this section requires that by June 1, 1998, the Commission submit a report containing the results of the initial review to the President, the Committee on Agriculture of the House of Representatives, and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

##### *Subsection (b). Report on subsequent review*

Subsection (b) requires that not later than January 1, 2001, the Commission submit a report containing the results of the subsequent review conducted under section 1503(b) to the President, the Committee on Agriculture of the House of Representatives, and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

#### *Section 1505.—Powers*

##### *Subsection (a). Hearings*

Subsection (a) of this section authorizes the Commission to conduct hearings, take testimony, receive evidence, and act in a manner the Commission considers appropriate to carry out the purposes of this Act.

##### *Subsection (b). Assistance from other agencies*

Subsection (b) authorizes the Commission to secure directly from any department or agency of the Federal Government any information necessary to carry out its duties under this title. The head of such department or agency shall furnish information requested by the chairman of the Commission, to the extent permitted by law.

##### *Subsection (c). Mail*

Subsection (c) authorizes the Commission to use the United States mails in the same manner and under the same conditions as the departments and agencies of the Federal Government.

##### *Subsection (d). Assistance from Secretary*

Subsection (d) requires that the Secretary of Agriculture shall provide appropriate office space and reasonable administrative and support services available to the Commission.

#### *Section 1506.—Commission procedures*

##### *Subsection (a). Meetings*

Subsection (a) of this section requires that the Commission meet on a regular basis. The frequency of such meeting shall be determined by the chairman or a majority of its

members. Additionally, the Commission must meet upon the call of the chairman or a majority of the members.

*Subsection (b). Quorum*

Subsection (b) provides that a majority of the members of the Commission must be present to produce a quorum for transacting the business of the Commission.

*Section 1507.—Personnel matters*

*Subsection (a). Compensation*

Subsection (a) of this section provides that members of the Commission serve without compensation, but are allowed travel expenses when engaged in the performance of Commission duties, including a per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code.

*Subsection (b). Staff*

Subsection (b) provides that the Commission shall appoint a staff director. The staff director's basic rate of pay shall not exceed that rate provided for under section 5376 of title 5 United States Code. The Commission may appoint such professional and clerical personnel as may be reasonable and necessary to enable the Commission to carry out its duties without regard to the provisions governing appointments in the competitive service, title 5, United States Code, and provisions relating to the number, classification, and General Schedule rates in chapter 51 and subchapter III of chapter 53 of title 5 or any other provision of law. No employee appointed by the Commission (other than the staff director) may be compensated at a rate exceeding the maximum rate applicable to level 15 of the General Schedule.

*Subsection (c). Detailed personnel*

Subsection (c) authorizes the head of any department or agency of the Federal Government to detail, without reimbursement, any personnel of such department or agency to the Commission to assist the Commission in carrying out its duties. The detail of any such personnel may not result in the interruption or loss of civil service status or privilege of such personnel.

*Section 1508.—Termination of commission*

This section provides that the Commission shall terminate upon the issuance of its final report required by section 1504.

COMMITTEE CONSIDERATION

The Committee on Agriculture met, pursuant to notice, on September 20, 1995, a quorum being present, to consider Recommendations to the Budget Committee for Title I—Committee on Agriculture—with respect to the Reconciliation Bill for Fiscal Year 1996, and other pending business.

The Chairman called the meeting to order at 9:30 a.m. and after finishing the first item of business, offered a statement concerning the Committee's budget reconciliation responsibilities. Ranking Minority Member de la Garza was recognized for a statement also.

The Chairman laid before the Committee the Chairman's recommendation for title I—of what he stated probably would be the first title of the House Reconciliation Bill—and stated that such title I would be open for amendment by subtitle.

Thereafter, the Chairman proposed to take up the two substitute amendments (de la Garza-Rose-Stenholm, and Emerson-Combest) before beginning the amendment process.

At that point Mr. de la Garza was recognized to speak on the de la Garza-Rose-Stenholm amendment in the nature of a substitute and to control the time for the Minority to speak on the substitute. A summary was then provided to the Members.

After considerable discussion on the de la Garza-Rose-Stenholm Substitute, a vote was

requested by Mr. de la Garza. By a roll call vote of 22 yeas to 25 nays, the de la Garza-Rose-Stenholm Substitute was not adopted. See Roll Call Vote No. 1.

Mr. Emerson was then recognized to offer the Emerson-Combest EnBloc Amendment (also known as a Substitute) and a summary of the Substitute was provided to the Members.

Mr. Allard asked that the record indicate whether the total Emerson-Combest package had been scored by CBO. Mr. Combest noted that the exact number had not been scored, but that provisions similar to those in the Emerson-Combest bill (H.R. 2330) have received preliminary scores. It was also noted that whatever final package came from the Committee would have to receive final scoring from CBO.

Discussion occurred on the parliamentary procedures by which a reconciliation bill would proceed to the Budget Committee, the Rules Committee, and to the House Floor. Chairman Roberts clarified the procedures which would occur if the Committee did not meet its budget obligations.

Mr. Lewis asked about the tobacco provisions in the Emerson-Combest Substitute which he had not seen before, and the Chairman asked for an explanation of the provisions. Mr. Ewing indicated that there should be some review by the Subcommittee on Risk Management and Specialty Crops on the tobacco provisions included in the Substitute.

Discussion also occurred on the dairy provisions of the Emerson-Combest Substitute. By a recorded vote of 23 yeas to 26 nays, the Emerson-Combest Substitute was not adopted. See Roll Call Vote No. 2.

Mr. Volkmer was recognized and requested unanimous consent for all debate on the Volkmer dairy amendment and all amendments thereto end at 5:00 p.m. Chairman Roberts indicated he would make every effort to honor the request.

Mr. Volkmer then offered an amendment, the Dairy Policy Act of 1995, and presented a brief description. After much discussion, the Volkmer amendment was not adopted by a vote of 22 yeas to 25 nays and 2 present. See Roll Call Vote No. 3.

Mr. Smith was then recognized to offer and explain an amendment on behalf of himself and Mr. Lewis, the Dairy Act of 1995. A summary was provided to Members. Discussion occurred and by a voice vote, the Smith-Lewis amendment failed. Mr. Smith requested a roll call vote, but an insufficient number of Members were in favor of a roll call vote, so the roll call vote was not ordered.

Mr. Ewing was then recognized to discuss the peanut and sugar provisions contained in Subtitle C. Brief discussion occurred, and Mr. Everett was recognized to offer an amendment concerning peanut temporary quota allocation. Mr. Ewing indicated that he would accept the amendment.

Chairman Roberts called for a vote on the Everett amendment, and by a voice vote, the amendment was adopted.

Mr. Foley was then recognized to offer an amendment regarding sugar that would replace the original five-year average loan modification threshold with a loan modification threshold set at 103% of imports for the previous year and would eliminate provisions to grant import licenses to cane refiners for imports above the GATT minimum level. After discussion, the amendment was adopted, by a voice vote.

Mr. Smith was recognized to offer an amendment regarding the accumulation and storage of sugar by the Federal Government. Representatives from the Department of Agriculture addressed what was presently being implemented regarding the No Net Cost

Sugar Provisions and the sugar price support program using nonrecourse loans. Further discussion occurred, and without objection, Mr. Smith withdrew his amendment to pursue the matter at a more appropriate time.

Mr. Allard was then recognized to offer an amendment regarding reduction of USDA bureaucracy to signal his displeasure with the Department for misleading statements made by Department officials at a hearing held on February 15 relating to State water rights and Departmental policy that permits the Forest Service to take water allocated for urban, suburban and rural uses for another purpose.

Chairman Roberts assured Mr. Allard that he had discussed the matter with Secretary Glickman and that the Secretary had indicated that he would address the issue. With assurances of the Chair to work with him in resolving this issue, Mr. Allard, without objection, withdrew his amendment.

Mr. Dooley was recognized to offer an amendment regarding recourse marketing loans and marketing deficiency payments for wheat as market-based alternative to the contract provisions in the Freedom to Farm Act. Discussion occurred and by a voice vote the Dooley amendment failed.

Mr. Hostettler was recognized to offer an amendment concerning crops which may be grown instead of program crops on what was formerly known as crop base acreage. Discussion occurred and at the request of the Chairman, Mr. Hostettler, without objection, withdrew his amendment with the understanding that the issue would be considered in the farm bill.

Mr. Barrett was recognized to engage in a colloquy with Counsel regarding limitations on forage planting relative to subsection (k) Planning Flexibility of the Chairman's Mark. After further discussion, Mr. Barrett chose not to offer his amendment.

Mr. Minge was then recognized and indicated that he had planned to offer an amendment which would extend the current program into the 1996 crop year so that farmers could be assured of what type of program they would have during the 1996 crop year. Chairman Roberts assured Mr. Minge that he shared his concern and wanted to expedite the process so that producers would know the government program for the 1996 crop year.

Mr. Smith was recognized and indicated that he had intended to offer an amendment regarding limitation on rental rates under the Conservation Reserve Program, but that he would just bring it to the attention of the Committee that this provision may need to be addressed. Mr. Allard and the Chairman indicated they would work with Mr. Smith during farm bill deliberations to address his concerns.

Mrs. Clayton was then recognized and indicated that she had two amendments. One amendment concerned housing assistance to rural communities, which likely would be ruled out of order, so she would just raise the issue and not offer the amendment. The second amendment concerned water and waste grants and loans for rural communities. Discussion occurred on the appropriate committee of jurisdiction and discretionary and mandatory funding accounts. After discussion, Mrs. Clayton requested a vote, and by a show of hands 25 yeas to 15 nays, the amendment was adopted. However, the Chairman stated that in his opinion the amendment was subject to a point-of-order and he would probably object to its inclusion at the Rules Committee.

Mr. Gunderson moved that the Committee favorably report its recommendations for title I—Agriculture to the Committee on the Budget for insertion in the Reconciliation Bill. Mr. Emerson requested a rollcall vote.

[illegible]

## CBO COST ESTIMATE OF HOUSE OF REPRESENTATIVES RECONCILIATION BILL REGARDING AGRICULTURE AND CONSERVATION—Continued

[In millions of dollars, by fiscal years]

	Section	1996	1997	1998	1999	2000	2001	2002	1996–2002
1404	End Farmer Owned Reserve .....	0	-17	-17	-17	-18	-18	-18	-105
1405	Cap EEP spending .....	-279	-482	-281	-130	0	0	0	-1172
1406	Business Interruption Insurance Program .....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
	Total .....	-1016	-1851	-1851	-1857	-1858	-2501	-2508	-13442

<sup>1</sup> These provisions could have some direct spending impact, but the level is either likely below \$500,000, of indeterminate.

Note.—Assumes effective date of November 15, 1996. Some estimates would change with later effective date.

## INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee estimates that enactment of the Chairman's recommendations of the Committee on Agriculture with respect to the reconciliation bill for fiscal year 1996 will have no inflationary impact on the national economy.

## OVERSIGHT STATEMENT

No summary of oversight findings and recommendations made by the Committee on Government Reform and Oversight under clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives was available to the Committee with reference to the subject matter specifically addressed by the Chairman's recommendations of the Committee on Agriculture with respect to the reconciliation bill for fiscal year 1996.

No specific oversight activities other than the hearings detailed in this report were conducted by the Committee within the definition of clause 2(b)(1) of rule X of the Rules of the House of Representatives.

## SHARING THE PAIN OF ALZHEIMER'S

HON. SANDER M. LEVIN

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 24, 1995

Mr. LEVIN. Mr. Speaker, on October 18, 1995, the Alzheimer's Town Meeting in Troy, MI, will give family members who care for Alzheimer's patients a chance to share with others the physical and emotional challenges they face daily.

They will have the opportunity to learn more about the options and resources available to them. And they will be able to share experiences with sympathetic listeners who know too well the devastation of the disease.

Alzheimer's does not discriminate. In America, 1 in 10 people know someone suffering from the disease. In metro Detroit, 60,000 people have Alzheimer's. Their families know that caring for an Alzheimer's patient is a supreme challenge. The tireless effort put forth by caregivers is remarkable and an example for all.

These caregivers have been called the hidden patients of Alzheimer's, and I agree. I commend the Alzheimer's Association for making this effort available and for raising consciousness about Alzheimer's in the metro Detroit area.

We must continue our fight against this painful disease. Through research, financial aid for Alzheimer's families, and a health care system that works for Alzheimer's victims, we can provide the best possible support for everyone affected by the ravages of Alzheimer's.

## THE 11TH ANNUAL GREAT LAKES CONFERENCE ON EXPORTS

HON. TOBY ROTH

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 24, 1995

Mr. ROTH. Mr. Speaker, on September 15, I held my 11th Annual Great Lakes Conference on Exports. We had 1,043 attendees, making this the largest exports conference in the Midwest.

Our opening speaker this year was C. Michael Armstrong, chairman and CEO of Hughes Electronics, and the Chairman of President Clinton's Exports Council.

As the chairman of the Trade Subcommittee of the House International Relations Committee, I have worked very closely with Mike. His insights have been invaluable to the committee as we have tried to increase U.S. exports.

I'd like to share some of those insights with you today. Following is the text of the address Mike Armstrong gave at the Exports Conference.

If we are to remain competitive, improve our balance of trade, and move strongly ahead into the 21st century, we need to listen to CEO's like Mike Armstrong. I urge you all to take heed of his advice.

## THE EXPORT IMPERATIVE: PUBLIC POLICY AND PRIVATE ENTERPRISE FOR THE NEW CENTURY

(By C. Michael Armstrong, Chairman & CEO, Hughes Electronics)

Thank you for that very warm Wisconsin welcome. This conference, drawing so many high-powered participants not simply from Wisconsin but from across the Great Lakes region, is testament to the energies and insight of Congressman Toby Roth. The knowledge and pro-active approach he brings to the public debate about the market system and exports is critical to the future of this country.

Gatherings like this are instructive for another reason as well—as an indicator of the kind of collective, collaborative, effort we must have to turn economic opportunity to advantage. In the context of the local economy, some of you may be seated down the row this morning from a competitor. But in the context of the global economy, even competitors share a common interest in a system that permits and promotes economic opportunity and puts American firms on an equal footing with companies from other countries.

The theme of this year's conference captures the challenge we face: "Going global" is, quite simply, where the growth is. Companies, and ultimately countries, that refuse to recognize this reality, no matter how powerful, no matter how well-positioned, are destined to decline. By the same token, even small companies that grasp this reality will reap world-class rewards. I'll say here what I say to every businessman and Congressman I speak with: America's economic destiny is as an Export Superpower.

For my company, the export imperative is already the dominant fact of our economic life: Today, our competition, our customers, our standard of quality, are all global. I've tried to translate my experiences, at IBM, at Hughes and as Chairman of the President's Export Council into an advocacy of pro-export policies that will not only define the growth of our country, but will define the opportunities and standard of living for our children and our children's children.

That's the mission that shapes my message this morning: The change in mind-set—in public policy, and in the private sector—we need to see for this country to fulfill its economic destiny. For this to happen, we must act on three critical issues: Where government policy is hurting us, it has to stop; where government can help, it has to start; and where the private sector lacks reach or competitiveness, it has to change.

If I may, let me start with a snapshot of the importance of exports to the American economy. Take the current projections of 2½ percent growth for the U.S. economy—a steady, but unspectacular rate. Now, compare that 2½ percent to the growth rate for American exports which is 10 percent plus. Even during the 1990-91 recession, exports continued to grow putting a floor under a downturn I know all of us thought was deep enough. Each year export growth adds about \$30 billion dollars to our GDP.

Now numbers like that can be distant from the day-to-day we deal with, they're almost unreal: So let me bring it a bit closer to home—at the average manufacturing wage nationwide, export growth, each year, is good for 1 million new jobs. Last year, right here in Wisconsin, 2,300 companies exported \$7 billion dollars worth of goods, supporting 192,000 American jobs. And statewide, export earnings are up 19 percent from the year before.

And it's the same story in the other states represented here today. Last year in Minnesota, exports accounted for \$10 billion dollars and 158,000 jobs; in Illinois, \$24 billion dollars and 440,000 jobs; in Michigan, \$36 billion and more than half-a-million jobs. And in every one of your states 95 percent of the businesses active in export are small to mid-size companies of 500 employees or less. That's the reality and the strength, of America's export economy.

However, for just a moment, imagine our economy without export growth. Our country would red-line almost instantly, plunging into recession. With export growth gone, we'd see unemployment head for double-digits, and a downward economic spiral historic in proportion and its affect on all of us. It's a nightmare scenario none of us want to look at much less live through.

The bottom line is, exports are the economic engine of our country and their importance is growing. Let's look ahead from where things are today to the world as we'll know it twenty years from now. A combination of demographics and development will join to spark an economic boom in the nations we once termed the Third World: 12 developing countries with a total population of 2.7 billion people—more than 10 times the